The MAGAZINE of WALL STREET

and BUSINESS ANALYST

DECEMBER 27, 1952 75 CENTS

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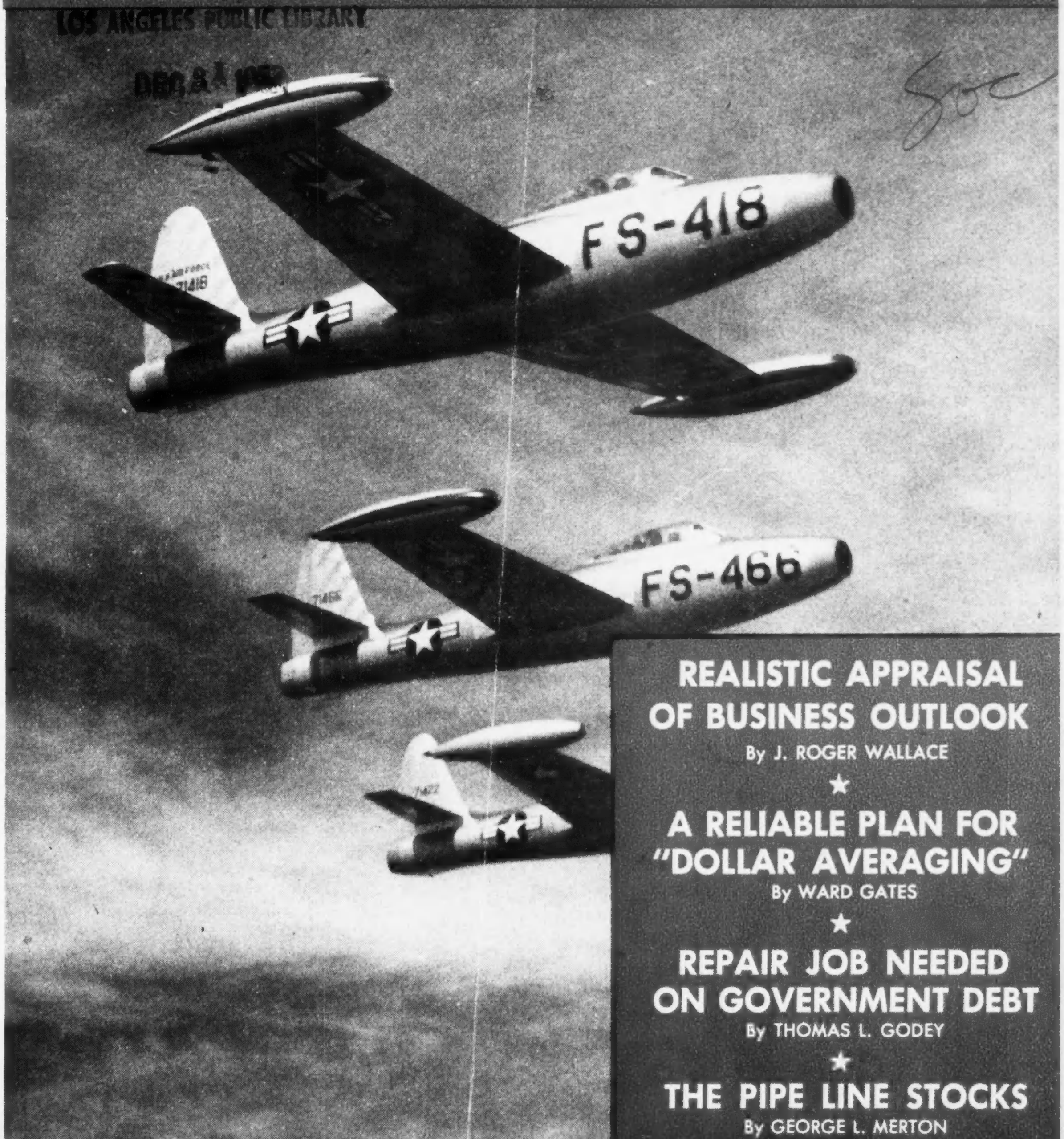
★ NEW GROUPS COMING TO THE FORE ★



REALISTIC APPRAISAL OF BUSINESS OUTLOOK
By J. ROGER WALLACE

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A RELIABLE PLAN FOR "DOLLAR AVERAGING"
By WARD GATES

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REPAIR JOB NEEDED ON GOVERNMENT DEBT
By THOMAS L. GODEY

★

THE PIPE LINE STOCKS
By GEORGE L. MERTON

He Asked Permission to Stay

Major William E. Barber, USMC
Medal of Honor

IT WAS DURING the Chosin Reservoir withdrawal. Eight thousand weary marines lay besieged at Yudam-ni; three thousand more were at Hagaru-ri, preparing a breakthrough to the sea. Guarding a frozen mountain pass between them, Major Barber, with only a company, held their fate in his hands. Encirclement threatened him; he was ordered to withdraw. But he asked permission to stay, and for five zero-cold days the company held the pass against attack. The Major, badly wounded, was carried about on a stretcher to direct defense. When relief came, only eighty-four men could walk away. But Major Barber's action had been decisive in saving a division.

"I know," says Major Barber, "that you at home realize what hard jobs our sons and brothers are doing in America's armed forces. Maybe you *haven't* realized that you're *helping* those men—whenever you invest in Bonds. True, Bonds are personal financial security for you. But they also strengthen our economy—to produce the good arms and food and medical care that make our men secure."

Peace is for the strong!
For Peace and Prosperity save with
U. S. Defense Bonds!

Now E Bonds pay 3%! Now, improved Series E Bonds start paying interest after 6 months. And average 3% interest, compounded semiannually when held to maturity! Also, all *maturing* E Bonds automatically *go on* earning—at the new rate—for 10 *more* years. $18.75 can pay back $33.67. $37.50 pays $67.34. And so on. Today, start investing in U. S. Series E Defense Bonds through the Payroll Savings Plan at work.

THE MAGAZINE OF WALL STREET
and BUSINESS ANALYST

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Vol. 91, No. 7 December 27, 1952

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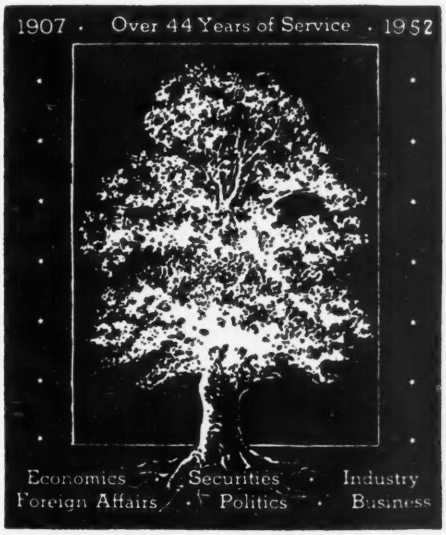
THE MAGAZINE OF WALL STREET

C. G. WYCKOFF, *Editor-Publisher*



The Trend of Events

NATIONALIZATION WITHOUT COMPENSATION . . . The United States is vigorously opposing a draft resolution just approved by the General Assembly Economic Committee of the United Nations, which would permit nationalization of foreign-owned private property without prior compensation. This is surely an unwise move, particularly at this time of world tension, and should be defeated when it comes before the General Assembly for final approval.

No one disputes the inherent power of governments to exercise the right of "eminent domain". This is a fundamental prerogative which has been valid in international law for a long time. However, in this country, as a matter of tradition, we are not overly enthusiastic over nationalization of property, either here or abroad. Unfortunately, our stand is not sufficiently supported by other nations, especially the under-developed countries which are, at present, showing partiality for the seizure of the property of others without adequate payment, or, as in some cases, none at all.

Apparently, we have no power to halt this trend but, at least, we must strongly resist it lest we give encouragement to those under-developed countries which have not yet joined the procession but may be tempted to do so. There are two reasons for this.. One is that if private property can be taken without due process under international law, the fundamental rights of ownership are violated, with resultant injustice to those who have acquired such properties on the assurance that these rights would be respected. The second is that if exapropriation is accepted without protest, private investment in the countries engaging in the practice will be discouraged, if they do not cease altogether.

Under such conditions, progress in raising the economic standards of under-developed countries would be postponed, to their great damage and that of the free world. The United States is obviously greatly concerned with such a possibility.

Since these weaker nations realize that they are dependent to a very large extent on the continued flow of capital investments and technical assistance from the more advanced countries, especially the United States, it may legitimately be asked to what purpose do they embark on a course that in the long run will weaken rather than strengthen them.

Upon mature reflection, they will decide we are confident, that the more powerful nations have already thrust away from them the old, imperialist view that exploitation of weaker peoples is profitable and justifiable. This is a concept now outmoded and, in fact, abandoned even by its most active proponents —world business interests which are identified with large foreign investments.

Accordingly, the under-developed countries have two courses open. They can drive out foreign owners through nationalization without just compensation, for which they will eventually pay in thwarted hopes. Or, they can negotiate, relying on the good faith of the interested parties, to their own ultimate economic advantage.

We recommend to the attention of our readers the analytical discussion of business trends contained in our column "What's Ahead for Business?" This regular feature represents a valuable supplement to Mr. A. T. Miller's stock market analysis of importance to investors as well as to business men. To keep informed of the forces that may shape tomorrow's markets, don't miss it!

ARE STAND-BY CONTROLS NECESSARY? . . . In the next few weeks a great deal is going to be heard about the best way in which to effect the demise of price controls. The subject, of course, is highly important and will demand the most painstaking examination before a decision is finally reached. Furthermore, unless a thoroughly sound decision is reached, the consequences can be damaging and far-reaching.

The nature of the decision to come depends on the answer to two questions: first, can price controls be lifted without a sharp increase in consumer prices; and, second, if critical materials are released from control, will this add substantially to government defense expenditures?

A corollary to these questions is: if there is a risk of prices rising unduly with the end of controls, should stand-by legislation be enacted that would enable the government to step in quickly in order to halt the rise? It would seem that the answer to the latter question at least should be in the affirmative, that is to say, stand-by controls should be enacted as a precautionary measure, providing the unworkable and ineffective features of the present law were eradicated.

So far as the first two questions are concerned, it would seem that a clear-cut answer cannot be given, in view of the many existing imponderables, especially the danger of enlarged hostilities in Asia. However, there is plenty of evidence to support the view that the great rise in our productive capacity which has taken place in the past two years has brought supply and demand into better balance so that consumer needs can be met at fair price levels, without invoking the intervention of federal authority. In other words, it would seem that the point has now been reached when relinquishment of controls has become feasible, always provided the possibility of unexpected continencies is kept in mind and a skeleton machinery is kept in readiness in case another crisis should materialize. In the meantime, we should keep an open mind and, as Senator Capehart suggested, a thorough examination of all the factors involved should be undertaken before a final conclusion is reached on this vital matter.

CAPITAL INVESTMENT CONTINUES TO GROW . . . The massive growth of capital investment in the United States gives no sign of abatement. According to the combined report from the Office of Business Economics in the Department of Commerce and the Securities and Exchange Commission, expenditures for expansion and improvements were projected at the annual rate of $28.3 billion during the final quarter of 1952. However, actual outlays for the year were in the neighborhood of slightly under $27 billion, owing to delays caused by the steel strike.

In the first quarter of the new year, projected expenditures will be about $6.5 billion or considerably under the figure anticipated, but this is also due to the secondary effects of the strike. In the second quarter, the outlook is that actual expenditures should rise to close to $7 billion, thus regaining the momentum. Outlays for 1952 were about 2% higher than in 1951, and from present indications the first half of 1953 will be at this rate at least.

It is apparent from the above figures that, in the estimation of industrial and business leaders, requirements for capital expansion are undiminished. Such large projected expenditures as $4 billion for the public utility industry, for example, indicate that this industry is far from having accomplished its basic long-range program. The same is true of a number of other industries, such as chemical, aluminum, railroad, electrical and communications.

It may be, of course, that eventually expansion may outrun actual needs but this potential is undoubtedly being taken into consideration by the responsible corporation officials who have their sights set some years ahead and who do not seem too much concerned with the inevitability of a slow-down in the over-all business pace. Apparently, they believe that any such slowdown would be only temporary. In view of the enormous vitality and drive of American economic life, it could very well be that they are right. But perhaps they are in a better position with their enormous resources to take a long-range view than some of the less well-heeled companies.

WHO SHALL OWN THE ATOMIC ENERGY PLANTS? . . . Speaking before the American Institute of Chemical Engineers, John J Collier, president of B. F. Goodrich Co., stated that the government is now financing 56% of all research in this country, whereas ten years ago it accounted for only 36%. If this rate of increase should continue, it is conceivable, as he said, that in time "private industry may be squeezed out of research, either because the government has a monopoly on the talent or because the discoveries have been socialized".

This warning was generated primarily by recognition of the growing and inevitable need to make a final decision on whether non-military production in atomic energy is to be financed in future years by the government or private industry. The decision that must be made—and not too far off in the future—will have a reverberating effect on the entire field of private investment.

The fact is that atomic energy is a monopoly of the government. At present, it is necessarily occupied with military requirements but the time is coming when it will be feasible to greatly broaden industrial application of this new source of power. If the government should then still have full control and ownership of the vast facilities available for production, private industry would obviously be placed at a great disadvantage. Concern is also expressed because the government has shown that once it becomes the owner of manufacturing facilities—synthetic rubber for example—it becomes more difficult to pry it loose from such ownership and, inevitably, it must become a competitor in such an industry.

It is clear that in a private enterprise system such as ours, there is very little place for government competition. In view of the great implications inherent, it is time that a thorough study be made of how far the government should go in the ownership and financing of industrial facilities. Otherwise, this conflict between the objectives of government and private industry is bound to grow.

PRE-VIEW ISSUES COMING . . . The January 10 and 24 issues contain comprehensive reviews and forecasts of the business and investment outlook for 1953, including a number of special security features.

As I See It!

By JOHN CORDELLI

DANGER OF PREMATURE INDEPENDENCE

That national independence under certain circumstances may be a calamity is a thought that can be traced to General von Clausewitz, the Prussian military writer who deeply influenced German and Russian military thinking during this century. Von Clausewitz lived during another "world war era" of Napoleonic Wars. He believed that wars speed up the political trends of the time but, unfortunately, not always in the right direction. As a result of the wars he witnessed the birth of several national states and foresaw the emergence of others. Moreover, he ventured the opinion that the new nationalist states lacking economic conditions for growth and without experienced political leaders could be but a constant source of troubles inviting aggression on the part of stronger neighbors.

The events that followed the First World War bore him out on the theory that war-sped political developments are not always of benefit to the rest of the world. Even without the First World War, it would have been a question of perhaps only two or three decades before smaller European nations, such as the Poles, the Czechoslovaks, the Yugoslavs, the Roumanians, and the Finns, would have been united in national political units, perhaps lacking full economic sovereignty, but politically and, of course, culturally independent. But instead of letting alone Austria-Hungary and Tsarist Russia to transform themselves *gradually* into federated units, the First World War splintered these fairly well-working economic entities into a dozen states. With one or two exceptions, the new states lacked the sound economic bases essential for their survival; they failed to give their people political and economic security, and were relatively easy victims, first of nazism and later of communism.

The Second World War did for Asia what the First World War did for Central and Eastern Europe. It speeded up the demise of colonialism which had been on the way out anyhow. The new states were givn full political and economic sovereignty without regard for their political experience or their economic viability. Again, with one or two exceptions—India, Pakistan, and the Philippines, all of which had already had some experience at self-government—these new nationalist states stretching from Libya in the West to Indonesia in the East have found that independence has brought political unrest and economic setback. They have few capital resourses of their own and under the circumstances cannot hope to have any for some time.

"OVER NIGARA FALLS IN A BARREL"

Green in the Providence Sunday Journal

Unless these countries recognize that their independence is tied to responsibility and partnership in the international community, there will be no outside capital forthcoming to develop their natural resources. In such cases, these countries face economic stagnation while at the same time their population is rapidly expanding. All this makes for an explosive situation, likely to exploitation by a modern but not always recognizable (to them) form of imperialism—Moscow's brand of international communism.

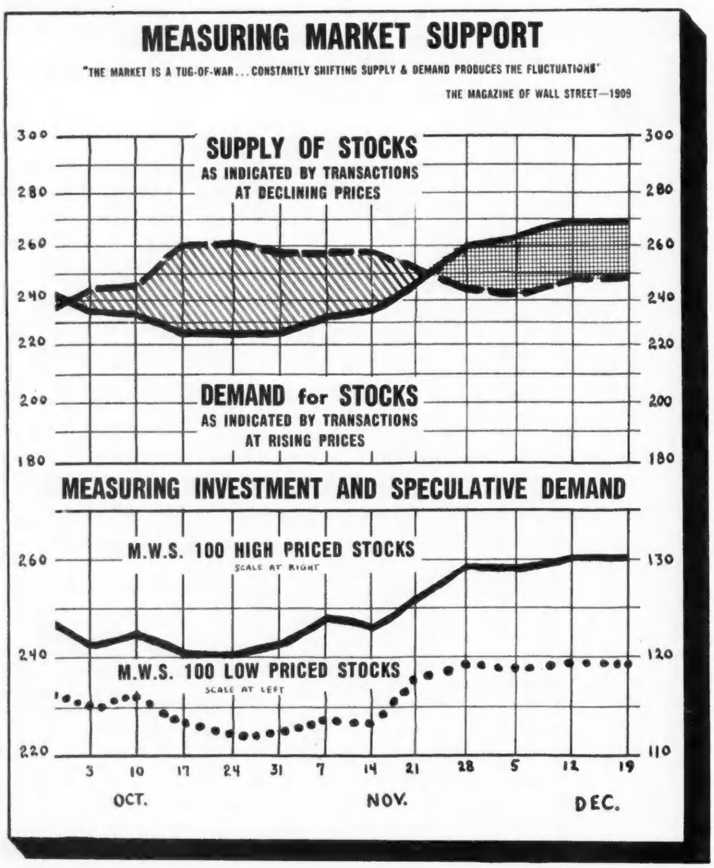
The Cold War, no less than the two World Wars before it, is doing its share in stoking the flames of nationalism and in speeding up political trends in a dubious direction. The whole of Mediterranean Africa, from Morocco to Egypt, is in revolt against European "exploitation" and domination. In Africa south of the Sahara, except in the Gold Coast and Nigeria, the demand for self-rule is still inarticulate, such disputes as the Mau Mau movement in Kenya being due to other problems. Nevertheless, if the Cold War lasts long enough, the Kremlin pursuing its fundamental objective (*Please turn to page* 372)

New Groups Coming to the Fore

On average, stock prices continue to work higher so far. The performance remains selective, largely investment-dominated, devoid of any general speculative excess. This tends to preserve a sound technical position. Feeding on "Eisenhower confidence," the upswing may well go further in the period ahead, subject to normal corrective pauses.

By A. T. MILLER

The market rise begun shortly before the election made additional moderate progress over the last fortnight, putting the Dow industrial, rail and utility indexes to new major highs, although it was braked during much of last week as a result of the combination of profit taking and some tax selling. The performance remains selective. The main motivation is still investment-based. Such speculative demand as is evident, centering in rails and a limited, even though somewhat increased, number of secondary industrials, appears to be about as discriminating as are the investment operations.



The upswing in the averages to the highest levels in a great many years has so far generated nothing like the broader and less discriminating speculative tendencies developed by a rising market in the past: for instance in 1928-1929; in late 1936 and early 1937; or, a few months before the top of the 1942-1946 bull market, in late 1945 and early 1946. Measured by trading activity and the performance of the "cat and dog" section of the list, this bull market is now even less speculative than it was as far back as the late weeks of 1950 and the forepart of 1951.

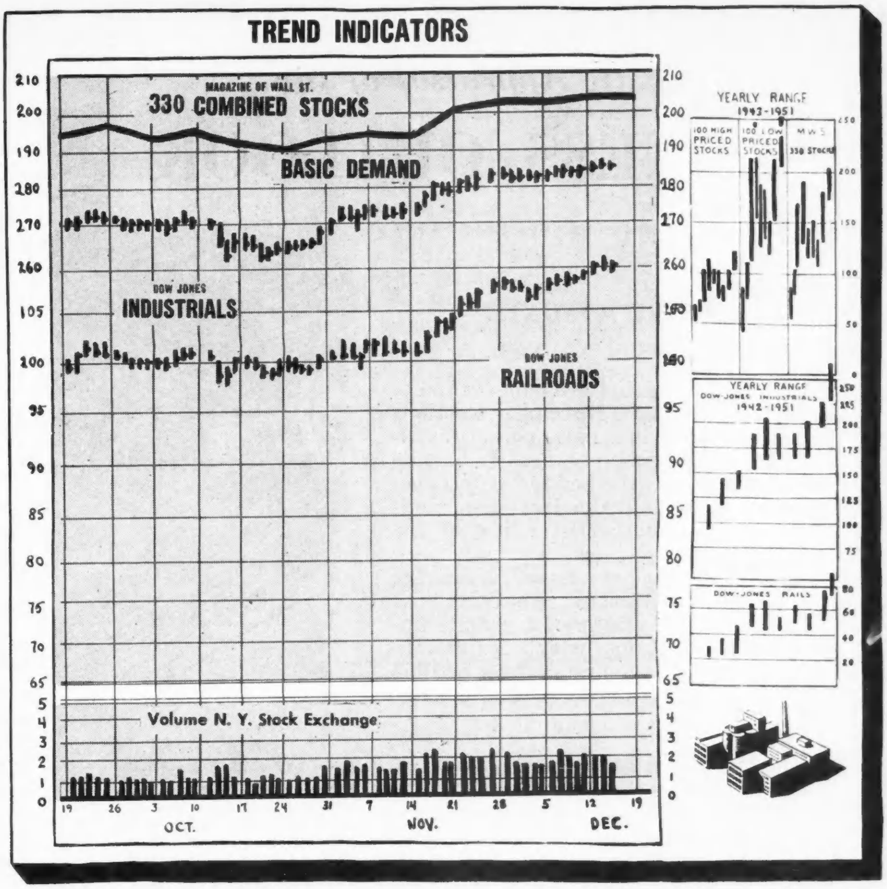
The Implications Of Investment Domination

The selectivity and the absence of speculative excess are to the good, since they tend to maintain a basically healthy technical position. Because the speculative position subject to liquidation, whether forced by margin requirements or induced by fear in a sagging market, has remained unimportant, the sell-offs in this market, although as numerous as the upswings over a period of nearly two years, have failed to develop momentum. In an investment market there is more of a tendency for stocks to be bought on a price-value basis; less tendency than formerly for people to be pushed into purchases or sales by the mere behavior of the averages.

The changed character of the market explains why Dow-Theory "penetrations" of prior support or supply levels have in recent years precipitated nothing like the old-time stampedes of selling or buying. This makes sense, for if a stock is basically desirable to own, it is obviously a better buy on a sell-off than on an upswing. As we have noted before, this has to be recorded as one bull market, dating from the mid-1949 low; but each step-up above previous highs of the industrial average has been quite moderate over an uncommonly long period, especially during the last 15 months or so, and has been marked by considerable shifts in leadership.

Thus, it took nearly a year to last

August for the September, 1951, high of the average to be bettered; and it was then surpassed only by roughly 4 points in a swing totalling about 24 points, which was followed by a sell-off of about 17 points into late October. The present rise to a new high has so far footed up also to about 24 points, bettering the August high by 6 points. Applied to an average for which the highs have so long been in the range 276-286, these extensions of the bull market are, of course, quite moderate when figured in percentage. Hence, profits or losses continue, as they long have, to hinge far more on the individual stocks you hold than on what the averages are doing.



In percentage scope, the rise of the rail and utility averages from the October lows has exceeded most swings of the past two years. That of the industrial average is about in line with the average gains on phases of advance over this period; and was significantly exceeded only by the swing of about 13%, against a little under 9% to date, from the June, 1951, low to the high of the following September. There is no evidence that it has been completed; and what its limit might be is impossible to say.

Price vs. Other Considerations

If one looks at price alone, the market is higher than at any time in more than a generation. But that, of course, is an unrealistic basis. In terms of price-earnings, ratios, dividend yields, the relationship of dividend yields to bond yields, and present corporate assets, stocks are much more moderately priced, on the whole, than at any past major high.

It has remained a market of moderation for two chief reasons: (1) Investment domination mostly; (2) periodically recurring apprehension about the end of the postwar boom. Now sights on the business outlook, for at least some months to come, have once more been lifted. Now there is not only a tendency to put the long heralded post-defense adjustment further ahead; but also to cite a variety of plausible reasons why, when it finally does come, it should be moderate. Additionally, we now have "Eisenhower confidence" for the market to feed on.

"Confidence" is a Factor

It need not be emphasized, that, at any given level of earnings and dividends, confidence can make a big difference in stock prices. Confidence in our new governmental management is certainly justified. The implications are clearly on the favorable side in the long run. However, the Eisenhower victory has already been partially discounted by the market; and, in contrast with a blanket vote of confidence registered there could well be more of a tendency before long to await a more detailed clarification of specific policies. The General is indeed taking over a "mess." Too much should not be expected too soon. The problems involved in shifting from New Deal inflation to sound-money prosperity are by no means easy.

The Soundest Policy

And if price-earnings ratios are moderate and current dividend yields fairly good, they are nevertheless less so than any prior time in the last six years. Moreover, average yields are "loaded" by the high yields of secondary and speculative stocks. Popular growth stocks are far removed from the bargain counter on a yield basis; high-grade income stocks as a rule are not nearly as cheap, again on a yield basis, as they were at lower market levels; and most secondary stocks, regardless of yields often ranging from 7% to 10%, are not attracting investment money.

A selective middle-road investment policy, emphasiing quality and profit potentials in individual stocks, remains the sensible one. The upward direction of the averages should help it pay off, but is likely to be only part of the answer.

Monday, December 22.

A Realistic Appraisal of the...

BUSINESS OUTLOOK

By HOWARD WINGATE

The improvement in the business climate which started in with the November elections has manifested itself in a more cheerful attitude among businessmen generally. While importance should be attached to this psychological change, in actuality business conditions started to improve with the ending of the steel strike.

From present indications, based on the rate of industrial activity, it would appear that the final quarter of 1952 witnessed a definite upsurge in business volume, which is likely to continue on over into the first quarter of 1953 and very probably into the second quarter a swell.

Over $27 billion was invested in 1952 for capital improvements. This immense outpouring of expenditures for industrial and business improvements is likely to be duplicated in 1953.

An Exception of Prosperity

However, there have been some irregularities in the situation which should not be lost sight of. Thus, one of the common causes of concern among individual business men during the past year or so has been the failure of their particular enterprises to reflect the high levels of national prosperity evident from the overall data on industrial activity, gross national product, etc.

Unlike World War II, when almost every alley had its small defense businesses and when the enforced curtailment of civilian demands was more than compensated for by defense contracts or subcontracts, present government spending for defense does not trickle down through every little business stream. Nor is it likely to unless the concept of defense spending per se is altered to make spending a direct "prop" to business, which appears improbable.

For example, the soft goods industries as a general rule have benefitted very little from defense spending, if we except the chemicals industry which is officially classified as among the nondurables. There have been some fair-sized orders for cloth of various kinds, clothing, footwear, etc., and these undoubtedly will continue although the totals will not be particularly impressive in view of the capacity of the respective industries concerned.

To some extent, soft goods manufacturers and distributors have been hurt rather than helped by defense spending since the resultant upward pressure on prices, coming at a time when pentup wartime demands had been met, could only result in increased consumer resistance. With labor and numerous other production costs rising, soft goods manufacturers have been unable in many instances to reduce their selling prices sufficiently to maintain volume. Meanwhile, reports of declines in prices of raw materials – a relatively small part of total manufacturing costs – have served to whet consumers' appetites for lower retail prices.

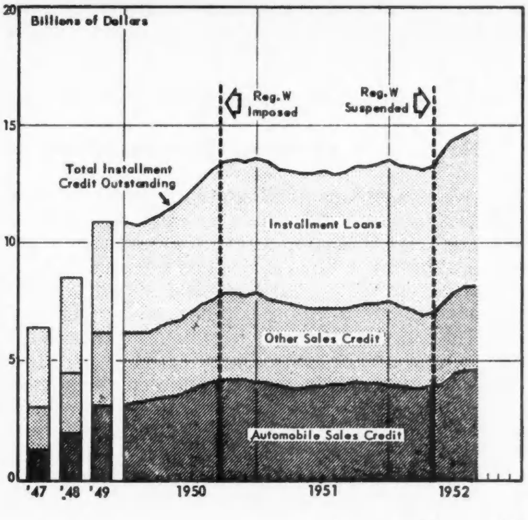
The recovery since last Spring in soft goods, which appears to have been due largely to inventory replacement, is less noticeable. Consumer spending is continuing to be concentrated upon durable goods.

Areas in which soft goods production is concentrated, and where there are few durable goods industries to benefit from defense spending, will continue to feel depressed relative to the national overall business totals. Producers of soft goods, and other business men in predominantly soft goods areas who are dependent to a large extent upon the payrolls and other expenditures of such enterprises, are unlikely to permit themselves to be carried away by forecasts of high level overall 1953 prosperity, no matter how optimistic they may feel over the election results.

"Eisenhower Confidence" a Factor

Whereas, only a few short weeks ago, many economists were warning of the possibility of some business setback in 1953 with the slowing down of defense spending, they now are beginning to warn against permitting "Eisenhower confidence" to become overconfidence. Piling a fresh boom upon already high levels of business activity would be running a great risk, it is maintained, of a disastrous

Installment credit outstanding climbs to record level after controls end



*Data estimated after June 1952.

leaders of inevitable eventual slowdown. Up to now, most business men have accepted the thesis based on historical evidence that booms do not last forever. Overconfidence now may result in a short life but a merry one, while it lasts.

End of Controls Not Inflationary

To no small degree, the present burst in business confidence over the 1953 outlook is based on the expectation that the end of government controls on prices and on the use of most materials—likely within the next few months—will result in a fresh upturn in the inflationary spiral. That is what happened in 1946 and 1947, after World War II controls were terminated, and many business men appear to be applying the immediate postwar experience to 1953 probabilities.

This is a grave misapplication of a historical precedent that does not fit the present situation at all. At the end of World War II, consumers had tremendous savings—accumulated of necessity during the wartime period of shortages—and were straining at the leash to buy goods at almost any prices. In addition to the domestic demand, the demand from abroad was huge for practically everything from foods to refrigerators.

Prices, severely held down under OPA, imme-

business shakedown later on. Over-capacity later on could be a possibility as in the steel, chemical, tire industries in addition to textiles.

So far during the past three months, the continued easiness in the general commodity price level and the increased reluctance of consumers to part with their money in the face of rising national income—phenomena for which no one seems to have a good and sufficient explanation—have served to hold business confidence in check. If these trends should be reversed for a time and if the stock market continues buoyant, confidence well might cross the narrow line separating it from overconfidence.

Strong Outlook for Plant Expansion

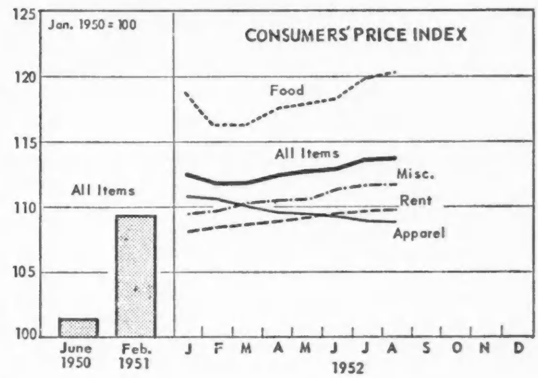
Already, there are indications of important revisions in estimates of a number of trends. In some quarters, it now is being predicted that industrial plant expansion, instead of declining in 1953 as originally expected, will be as large as in 1952 if not larger. Construction of new residential housing, it is said, will be only slightly smaller than in 1952. A year ago, it may be remembered, it was predicted that new housing starts would be down 30 percent or more in 1952, whereas the actual total now promises to be practically the same as the 1951 total of 1.1 million.

Automobile production, originally forecast at 3 to 3½ million for 1952, will total close to 4½ million and present ideas are for a total of 5 million or more in 1953. Production of other consumer durables, including television, also is expected to rise.

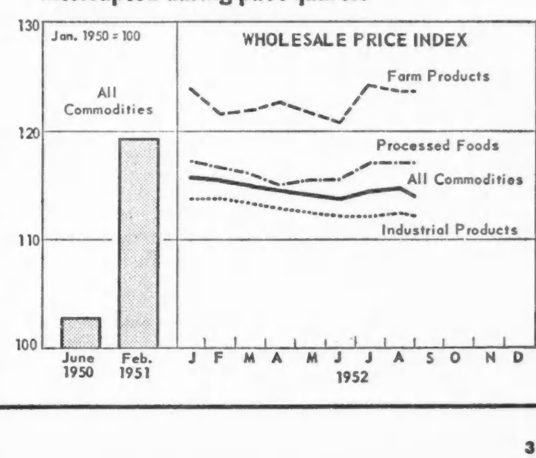
Caution, it is quite evident, is being cast to the winds, at least insofar as the making of forecasts for 1953 is concerned. The extent to which business men in the various fields actually concur in private to the overall industry forecasts may be something else again.

The amazing vitality of the average postwar business boom has been due in large measure to the continuing cautioning of economists and business

Food prices lead Consumers' Price Index to new high 1% above January



Steady decline in wholesale prices interrupted during past quarter



diately soared upward to meet the high level of national income, once controls were removed. *No such situation exists today.* Price controls, so far as the great mass of consumers' goods is concerned, have meant little for many months. Commodity prices have been moving rather steadily downward ever since the peak attained early in 1951, and now are not much higher—as measured by the wholesale price indices—than prior to the outbreak of war in Korea in June of 1950. Only a few commodities—chiefly metals and chemicals of unusual importance in the defense program—are still sufficiently scarce to command full OPS ceiling prices. Many commodities are selling far below original OPS ceilings, and have become "decontrolled" as ceilings became meaningless. Farm products prices have declined sharply since early 1951, and the downward pressures on food prices have all but halted the long rise in the cost of living.

Consumers' Prices and Controls

Consumers, extremely price conscious for months now, are in no mood to stand for any unwarranted hiking of prices just because controls are lifted. Most producers of consumers' goods are well aware of this, while those who are not will discover it soon enough. Where the end of price controls does result in price markups in some of the scarcer materials, and there are likely to be few such instances, manufacturers of consumers' goods undoubtedly will absorb the cost increases in most instances.

Decontrol of rents, which will affect only old rental properties since new rental construction has not been subject to controls, well may result in some initial rise in rents. Many tenants now are paying less than they really can afford to pay on the basis of the rise in their incomes since rents were fixed, but will be able to devote a smaller part of their incomes to other goods if rents are raised. Some may elect, if they have to pay more, to move into the newer rental properties which are seeking tenants who can afford to pay present high rent scales. Once tenants start moving out of older buildings, leaving vacancies that are hard to fill, the entire rental price structure will be under pressure and the residential building boom will be slowed down.

Price Controls and Commodities

COMMODITIES SELLING AT CEILING PRICES

		Price 12/5/52
Iron	ton	$59.75
Steel Bars	100 lbs.	3.95
Copper, domestic	lb.	0.245
Copper, foreign	lb.	0.365
Petroleum	bbl.	2.51
Cement, Portland	bbl.	3.40
Sulphuric Acid	ton	20.00
Coal, Bituminous	ton	6.00

COMMODITIES BELOW CEILING—OR NO CEILING PRICE IN FORCE

		1952 High	1952 Low	12/5/52 Closing Price
Lead	lb.	$0.195	$0.135	$0.14
Zinc	lb.	0.195	0.125	0.125
Cotton	lb.	0.423	0.332	0.332
Rayon, Viscose	lb.	0.79	0.73	0.76
Hides	lb.	0.265	0.135	$.195
Rubber	lb.	0.52	0.3225	0.3225
Flour	100 lbs.	6.52	6.40	6.40

COMMODITIES WHCH HAVE RECENTLY BEEN DECONTROLLED

All textiles at the manufacturing level
All Men's Apparel
All Ladies' Apparel
All Radios, Television Sets and Phonographs
Shoes
Most Types of Carpets
All Bedding

No Boom in Consumer Durables Likely

The end of government controls on the use of all but a few critical materials is not likely to touch off a boom in the production of consumers' durable goods. For months now, NPA has been relaxing and eliminating controls as materials generally have become more plentiful and as it became apparent that defense requirements had been overestimated.

Sight must not be lost of the fact that restrictions on the use of materials have enabled producers of consumers' durables, in most instances, to command full prices and mark up selling prices as costs have risen. The firmness in prices of hard goods, in distinct contrast to the generally easier trend in soft goods, since price controls were first instituted in January, 1951, is not sheer coincidence.

It is safe to say, although some durables goods producers will argue to the contrary, that—*at the prevailing prices*—no more automobiles, washing machines, refrigerators, etc., could have been produced and sold in 1952 than actually were produced and sold. The primary effect of the steel strike was to extend the demand well into the latter part of the year whereas it otherwise would have tapered off earlier. The present lowering in the prices of used automobiles would not be occurring if there were any real shortages of new cars.

In the construction field, controls on uses of materials already have been largely eliminated, and the high levels of construction attest that controls have not been much of a restricting factor.

Throughout most of 1952, with the exception of a short period during the steel strike, supplies of most consumers' durable goods have been rather neatly balanced with the demand at prevailing prices. If production is increased in 1953, as numerous economists and industry spokesmen are predicting, it may not be very long before producers find it necessary to reduce prices in order to maintain volume. Nondurable goods producers have been face to face with this problem of reducing production costs and selling prices for many months now, and there even have been a few wage decreases reported in certain areas.

Durables goods producers, for the most part, have been somewhat "sheltered" during the past few years and have not been forced to give much consideration to the matter of reducing costs. Arriving late, they may find it a difficult problem, especially since the impact of the defense program—where selling prices are not a too important consideration—has tightened the labor situation and has imposed difficulties in either lowering wages or increasing productivity.

Consumer Credit Expansion Nearing End?

Increases in consumer credit, now totaling over $22 billion, have been necessary to keep the volume of goods moving, even (*Please turn to page* 370)

Repair Job Needed
ON OUR
Government Debt

By THOMAS L. GODEY

Secretary of the Treasury designate, George M. Humphrey, will inherit difficult fiscal problems when he takes office January 20 and the most pressing is what to do about the unwieldy short-term debt.

This hodge-podge securities structure is an outgrowth of the government imposed cheap money policy in force in the last twenty years to finance the spend-lend phase of the depression, the Second World War and the post-war period.

The Herculean fiscal task staring Mr. Humphrey is a $267,000,000,000 debt, composed of $170,000,000,000 of demand obligations including weekly maturing Treasury bills ranging from one to two billion dollars.

Aware of the difficulties ahead, Mr .Humphrey has recruited W. R. Burgess to help him create an orderly debt policy, since a sound fiscal program is the prerequisite to dollar stability.

The new Secretary realizes that his early policies will have not only an impact on the price structure of this country, but also on the price level of Western Europe—the entire world as a matter of fact.

Unsound policies at home will lead to further inflation and dangerous economic consequences. Inflation will raise the cost of rearmament and affect the price structure of the countries which are receiving military as well as financial assistance from the United States to fight communist aggression.

These are the broad problems discernible in the fiscal horizon. Their solution depends on the ability of the Secretary to pursue the task unhindered by White House dictates and he has been assured he will have a free hand by President-elect Dwight D. Eisenhower.

The Republican party platform pledged to keep the Federal Reserve System independent as the nation's central bank. Since the election there is an atmosphere of relief at the Federal Reserve. Now close cooperation between the Reserve and the Treasury in future monetary and debt policy will be the order of the day, and not the exception.

Federal Reserve Board chairman William McChesney Martin underscored this aspect of the newly-found cordial relations in a speech before the Investment Bankers Association of America at Hollywood, Fla.

Discussing the March, 1951, "accord" between the Reserve Board and the Treasury which ends the 10-year old practice of pegging government bonds, Mr. Martin said that it marked the "return, acceptance and use of the market place," instead of adhering to the fetish of pegged prices.

"The year 1951 was largely a year of clearing away the debris in the government bondmarket and re-establishing some of the forces that make for a freer market", Mr. Martin said. "The Federal Reserve attempted to move away from several things; from mothering the market, and from the so-called open mouth policy.

For a Free Market

"I want to reiterate what to me is the crux of the matter: that we should be seeking solutions for today's problems as energetically and as intelligently as we can so as to make sure that we preserve freedom of action and choice in the market place.

"The reason is that the decisions, the judgments of the market place by and large will be sounder than those of any public administrators or any group of super men or any super staff that you are likely to have in Washington or in your own business."

"Higher interest rates must prevail if the Treasury decides to remove the danger of the demand debt and return government securities to their historical position of a long-term medium of investment."

President-designate Dwight D. Eisenhower pledged to protect the value of the dollar. Mr. Humphrey's future Treasury policies will be geared to support the November 1, 1952, statement of Mr. Eisenhower:

"The full resources of our new administration will be thrown into the battle against inflation. Only if the steady whittling away of the value of the dollar stopped, can our farmers, our factory and white collar workers, our aged, find any security in their savings, social benefits and pensions."

The major decision on funding the huge short-term obligations will not be made by outgoing Secretary of the Treasury John W. Snyder.

Smaller Deficit Than Estimated

Part of Mr. Humphrey's fiscal task will be eased through several factors, which are developing now.

For example, responsible sources indicate that President Truman's estimate of the deficit may be smaller than was anticipated months ago. The President forecast a deficit of $10,500,000,000 for fiscal 1954. However, since there has been a "slowdown" in military spending, the deficit may be cut to $5,000,000,000, or slightly higher.

This will ease the burden of the Treasury and cut down the amount of deficit financing that will be required in the next seven months after the beginning of the year.

Every business factor indicates a high level of activity for 1953; and, at least well, in 1954. With estimated national product near $350 billion tax collections are expected to continue at current levels.

Much also depends on what Congress does in the field of taxes. Expiring tax legislation, unless revived, will have an important bearing on the Treasury's operations in 1953 and the years following. For example, on June 30, 1953, the corporation excess profits tax, an important source of revenue, expires.

On Dec. 3, 1953, the increase in individual tax rates voted by the 82nd Congress expire, and in 1954, Congress has to consider the higher normal tax rates as well as excises which both expire.

Direct Obligations of the U. S. Government Maturing Through 1954

	Amount in Millions
1952	
Dec. 18-26 — Discount Bills	$ 2,403
1953	
Jan. 1 — Ser. D 1.40% Savings Notes*	298
Jan. 1 — Ser. E Savings Bonds*	5,100
Jan. 2-Mar. 12 — Discount Bills (a)	14,809
Feb. 15 — 1⅞% Ctfs. of Indebt.	8,868
Mar. 18 — Tax Anticipation Bills	2,502
May 1 — Ser. F & G Savnigs Bonds*	1,129
June 1 — 1⅞% Ctfs. of Indebt.	4,963
June 19 — Tax Anticipation Bills	2,002
Aug. 15 — 2% Ctfs. of Indebted.	2,882
Sept. 15 — 2% Bonds	7,986
Dec. 1 — 2⅛% Treasury Notes	10,542
Total 1953 Maturities	$61,081
1954	
Jan. 1 — Ser. E, F & G Savings Bonds*	$ 7,871
Jan. 1 — Ser. D Savings Notes*	74
Mar. 15 — 1⅜% Treasury Notes	4,675
June 15 — 2% Treasury Bonds	5,825
Dec. 15 — 2% Treasury Bonds	8,662
Total 1954 Maturities	$27,107

*—Maturing Monthly within a year from this date forward.
(a)—Maturing Weekly During Period Given.

Attitude of Institutional Investors

Mr. Humphrey will have to change the investment habits of institutional investors. Heretofore, commercial banks, insurance companies, savings banks and other institutional investors have considered government securities cash, as such, since the Treasury has been rolling over short-term issues.

The Treasury has been compensating investors by assuring them of a return as well as a market profit in the turnover or refunding of these short-term obligations.

The first test of the market may come on February 1, 1953, when Mr. Humphrey announces the terms of the refunding of the $8,868,000,000 principal amount of 1⅞ percent certificates. The secretary-designate is faced with a major decision on February 1, but he may hold off deciding to test the market..

If Mr. Humphrey decides to refund the maturing certificates into a long-term issue, possibly carrying a coupon of 3 percent for 15 to 20 years, the pattern will be set for handling the floating debt.

The first refunding operation is of extreme importance since, the new secretary has to set policy for about $100 billion of maturing obligations in the calendar year 1953, excluding $57.8 billion of savings bonds redeemable on demand.

An analysis of Treasury financing in the last 10 years shows an absence of long-term issues. So Mr. Humphrey's decision will be governed by a desire to rid the market of the overhanging demand obligations.

Higher Interest Rate Needed

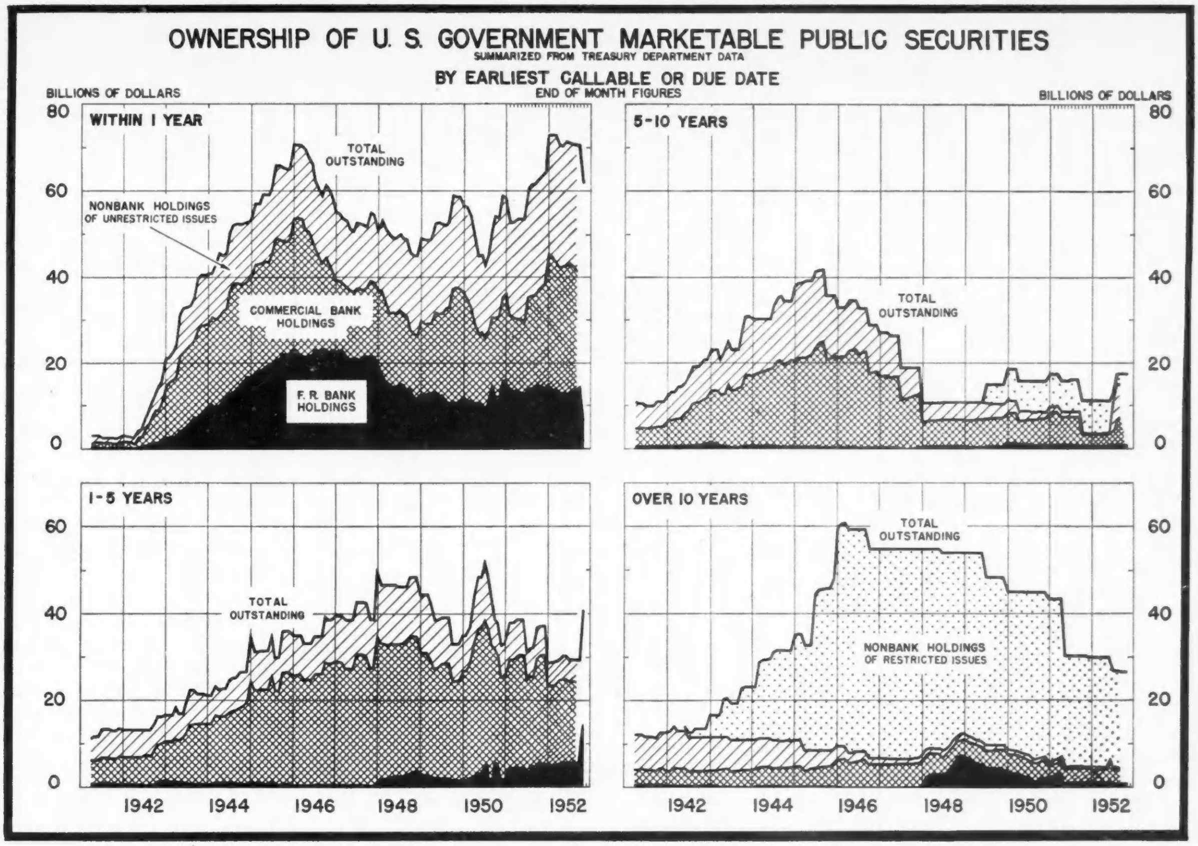
The opinion here is that the Treasury could attract a large amount of long-term stable capital if a 3 percent interest rate was offered to investors on a long-term basis. This would be an innovation from the avowed policy of holding down rates for the sake of political expediency.

The cheap money policy had its attractions, but it also had its drawbacks. For example, the fact that investors considered government securities as nothing but cash to be turned in for another issue defeated the original concept of keeping the cost of servicing the debt at a low point.

This concept, although a good talking point for political purposes, also virtually paralyzed the Federal Reserve System since the central banking functions of the system were nullified by supporting government bonds to keep rates at the level dictated by the Treasury.

An issue by issue analysis of the refunding operations of the Treasury in the next calendar year shows that Mr. Humphrey will have to ask Congress for authority to extend the maturity of the F and G bonds, due in 1953, if he decides to do so just as Mr. Snyder did by making an attractive offer to 10-year holders of Series E bonds.

The June 15, 1953 maturity of 1⅞ percent of certificates does not present a major problem since the Federal Reserve system and commercial banks hold



about $3,000,000,000.

The secretary-designate, however, must decide by February 15 what he is going to do about the $15,-722,000,000 principal amount of 2 percent bonds. Again these four issues may offer the market a test of future financing policy.

The general feeling here is that higher interest rates must prevail if the Treasury decides to remove the danger of the demand debt and return government securities to their historical position of a long-term medium of investment.

A Treasury official was asked whether a 3 percent interest rate would adversely affect portfolios of investors. He replied that a loss of several points from prevailing prices would be offset by the knowledge that new government issues would remain in portfolios for years.

As to the $57,800,000,000 of Series E bonds, Federal Reserve as well as Treasury officials express no concern about any danger of a wholesale liquidation.

Series E holders would rather borrow than liquidate their bond holdings. One banker related the story of a depositor who had a checking, savings as well as holdings of Series E bonds. This depositor borrowed from the bank to buy a food freezer. The banker was curious, since the depositor could have paid cash. The borrower replied that he would rather owe the bank than liquidate his securities, since the bank obligation became a prime deduction from his earnings.

The experience of this banker can be multiplied, since the Reserve official said that this was being done all over the country, indicating a return of confidence in the dollar.

* * *

It is needless to say that the future course of refunding the immense volume of outstanding short-term government securities is of the highest importance not only with respect to the efficient handling of government finance itself, but with respect to the future course of bond prices.

That the uncertainty over the actual basis of future refunding is a powerful factor in influencing federal bond prices is illustrated by the slow erosion in the market value of the longer-term government issues. Thus far, it cannot be said that a truly definite stability has been attained in this market, ever since government bonds were "unpegged" over a year ago. It is obvious that a firm foundation cannot be regained until there are more definite indications from the Treasury as to the course it intends to pursue.

From the author's observations, though stated in a guarded fashion, it is hinted that a final rate of as high as 3% on longer-term government issues is not to be discounted as a strong probability. The last long-term issue was offered on a 2¾% basis, so that an increase to 3% would be in line with the fundamental trend. That this prospect has not, as yet, been reflected materially in the price of high-grade bonds, as a whole, is due mainly to the fact that large institutional buyers, with their huge daily amounts of receipts pressing for investment, have had no other recourse than to enter the market for such issues despite the high prices paid. (Editor's note.)

A Reliable Plan for . . . DOLLAR AVERAGING

By WARD GATES

At the outset, let us re-affirm what all experienced investors have learned, namely, that there is no easy road to successful investment and that one should cast a wary eye on all schemes, "systems" and the like. Notwithstanding, if the investor is willing to accept this warning and act on it, it is quite possible for him, by adopting more effective means, to invest his funds profitably on a long-term basis provided he exercises the greatest care in his stock selections and, above all, provided he is willing to follow the arduous task of completing a long-range program. Admittedly not many individuals are suited by circumstance or temperament to undertake such a slow and unexciting program but for those willing and able to do so, the results can be quite rewarding. Such a program is commonly identified with what is known as "dollar averaging."

This is not a "system" for easy and quick profits but a long-term method of investing in common stocks for the essential purpose of long-term capital gains. In "dollar averaging" the element of yearly income from stocks purchased, though of importance, in reality, is secondary to that of long-term profit. Hence, the individual requiring as much yearly income from securities as possible would find "dollar averaging" unsuitable. Nor is it suitable to individuals who are interested in seeking short or medium-term profits as the latter, as will be seen, do not come within the scope of "dollar averaging."

"Long-term" in "dollar averaging" demands continuous investment over a considerable period of years in the same stock or stocks. Without laying down an arbitrary limit, such a period may extend for years, even up to ten and twenty years.

The Corner Stone

In "dollar averaging," the investor commits himself to a serious long-term plan of investing. Therefor it is of the utmost importance that the cornerstone of his investment—the selection of the common stock on which he reposes his long-range hopes—is of the soundest description, at the same time possessing undeniable possibilities of long-range growth. The reason why the first selection must be unchallengeable for quality is that "dollar averaging" commits the investor to invest regular, stated sums each year in the same stock. Hence, he cannot afford to make a mistake. If time should prove something wrong in the selection, it is not too much to state that disaster can ensue through blind "averaging." It is for this reason that the quality of the selection must be beyond question. For the prime objective of "averaging" is not temporary profit but essential soundness in the individual selection. Otherwise, one risks the use of "averaging" indiscriminately, with results which can be quite costly, if these stocks should be of an inferior or speculative character.

Elementary Course of Action

The problem of deciding at which price the stock should be bought, practically speaking, is more or less eliminated in "dollar averaging," which is its greatest advantage. In other words, the investor, by stretching out his purchases of the same stock over a period of years automatically benefits from its price changes in the long run even though the actual individual prices paid turned out to be too high from time to time.

A simple example of how this works is given herewith: Suppose stock "X" was decided on in 1947. Assume that the investor then made two purchases in equal amounts of money. The first purchase was made at say 50; the second at 40, with an average of 45.

In the following year, two more purchases are made for the same equal amounts of money. That year, he paid 35 for the first investment and 45 for the second, with an average price of 40.

In the third year, he continued with two more purchases, with an average price of 50. In the following, let us say his average (*Please turn to page* 370)

Result of "Dollar Averaging" in 10 Leading Stocks – 1943 to 1952

Number of Shares acquired per $1000 investment. (a)—at years High. (b)—at year's Average Price.		Aluminum Company of America	DuPont	General Electric	General Motors	Johns-Manville	Monsanto Chemical	Sears Roebuck	Standard Oil of New Jersey	Union Carbide & Carbon	Westinghouse Electric
1943	(a)	28.5	25.0	25.0	35.7	32.2	32.2	45.4	35.7	34.5	40.0
	(b)	31.2	27.7	28.5	40.0	37.0	35.7	55.5	40.0	37.0	43.5
1944	(a)	27.0	25.0	25.0	30.3	28.5	34.5	38.4	37.0	37.0	32.2
	(b)	31.2	27.0	27.0	34.5	31.2	37.0	43.5	40.0	38.4	37.0
1945	(a)	15.8	20.8	20.4	25.6	20.8	25.6	25.0	31.2	29.4	26.3
	(b)	20.4	25.0	22.7	28.5	25.0	31.2	31.2	34.5	33.3	28.5
1946	(a)	11.1	17.8	19.2	25.0	17.8	15.6	20.0	27.7	24.4	25.0
	(b)	13.3	20.8	24.4	31.2	21.2	19.6	23.8	31.2	28.5	31.2
1947	(a)	12.5	20.4	25.0	30.3	21.7	15.8	25.0	27.0	27.0	32.2
	(b)	15.6	21.7	27.7	34.5	24.4	17.8	28.5	30.3	30.3	37.0
1948	(a)	14.5	21.2	23.2	30.3	23.8	16.4	23.2	22.7	23.2	30.3
	(b)	20.8	22.7	27.0	34.5	26.3	18.8	27.0	26.3	27.0	34.5
1949	(a)	18.2	15.8	23.8	27.7	20.0	17.5	22.7	27.0	22.2	30.3
	(b)	20.0	18.8	26.3	33.3	25.0	19.6	26.3	29.4	24.4	37.0
1950	(a)	13.7	11.7	20.0	18.5	19.6	12.8	18.2	21.7	18.2	27.7
	(b)	16.1	15.8	22.2	22.7	22.7	15.1	21.2	25.6	21.2	30.3
1951	(a)	11.3	9.8	15.6	18.5	14.2	9.3	17.2	13.3	15.1	23.8
	(b)	13.0	10.8	17.8	20.0	17.2	11.1	18.5	16.6	16.9	26.3
1952	(a)*	10.8	10.5	14.0	15.3	12.6	9.1	16.4	11.7	14.4	21.7
	(b)	12.2	11.5	15.8	17.5	14.0	10.4	17.8	12.6	15.8	24.4
Total Number of Shares		357.2	379.8	450.6	553.9	455.2	405.1	544.8	541.5	518.2	619.2
Total Cash Investment		$20,000	$20,000	$20,000	$20,000	$20,000	$20,000	$20,000	$20,000	$20,000	$20,000
Current Price		85	94	71	65	72	92	61	75	68	46
Current Value of Investment		$30,362	$36,701	$31,992	$36,002	$32,774	$37,269	$33,184	$40,612	$35,237	$24,483

*—To Dec. 6, 1952.

List of 20 "Growth Stocks" Suitable for Future "Dollar Averaging"

	Recent Price	Indicated 1952 Dividend	Div. Yield
Aluminum Co. of America	86	$3.00	3.4%
American Cyanamid	54	2.00	3.7
Dow Chemical	44	.80[1]	1.9
Food Mach. & Chem.	42	2.00	4.7
General Electric	71	3.00	4.2
Goodrich (B. F.)	72	2.65	3.7
Imperial Oil	35	.75	2.1
Johns-Manville	72	4.25	5.9
Mathieson Chemical	41	2.00	4.8
Minneapolis-Honeywell Regulator	58	2.25	3.8
Minnesota Mining & Mfg.	44	$1.00	2.2%
Monsanto Chemical	92	2.50	2.7
Owens-Corning Fiberglas	45	.60	1.3
Parke, Davis & Co.	45	1.90	4.2
Phillips Petroleum	58	2.40	4.1
Pittsburgh Plate Glass	54	2.00	3.7
Radio Corp. of America	29	1.00	3.4
Standard Oil of N. J.	75	4.25	5.6
Union Carbide & Carbon	68	2.50	3.6
Westinghouse Electric	46	2.00	4.3

1—Plus stock.

—EISENHOWER HAS EXPORT PROBLEM

By "VERITAS"

WHETHER to continue controls over commodities and wages is one of the hot subjects of discussion in the Capital today and it will be one of the controversial matters at the White House doorstep when General Eisenhower crosses the threshold Jan. 20. The process of whittling away goes on and will speed up somewhat, but there will be no eradication while Mr. Truman is in the White House.

> ***WASHINGTON SEES:***
>
> There is more at stake than a sociological concept in the "segregation cases" which have been heard by the Supreme Court of the United States and which will be ruled on early in the Spring. There are fiscal implications of great moment as well as the constitutional and social aspects in the trial of cases based upon the question whether negroes may be required to attend schools set aside for their own race when the facilities are substantially equal to those provided for white pupils.
>
> It is almost a full century since the Negro race climbed from slavery to the bar of the highest court in the land to make its demands to share classrooms. The District of Columbia and 21 states want the status quo preserved. While reliance was placed, in three days of argument, upon constitutional law, notice also was served on the justices that a ruling to open white schools to colored will mean the end of the public school system as it now exists; that segregation will not end but that the public schools will be operated exclusively for the colored pupils and privately supported schools will serve the others.
>
> That will mean new methods of funding, of school bonds backed by individual and group indorsers rather than by public authority. The Attorney General of Virginia flatly told the court the citizens of that state will refuse to vote school bond issues for non-segregated facilities. Not even funds for maintenance or teachers salaries! That would mean financial revolution in the field of education.

STRONG support of continuing all types of controls now in effect is Michael V. Di Salle, the former Administrator. He answered a call from President Truman to come to Washington and survey the situation. The Di Salle report has been submitted and it questions the wisdom of abandonment all down the line. President-elect Eisenhower is generally believed to be in favor of lifting the regulations, but not too high; carrying just about everything along on a stand-by basis, ready for application in the event the need arises. There's manifest soundness in such a position.

RE-EXAMINATION of United States attitude toward imports will be forced by the wail arising from exporting circles that business is plummeting. The new Administration must decide whether it is possible to maintain a healthy export business while rigid restrictions against imports prevail. The two-way road idea enters into the equation. The drop in this trade has been made more noticeable by the fact that the Korean war caused foreign purchasers to indulge scare buying in the early days and they have built up large inventories. The demand for American goods today would be considered excellent were it not for the contrast with a most unusual flush of trade in the past few years. Meanwhile foreign countries have not been able to improve their import-export position with the United States, hence the need for studies.

PRICE TAGS on three of every four homes built in the first nine months of this year showed $15,000 or less. Of the 818,000 homes started in the first three-quarters of 1952, the vast majority were purchased by lower and middle-income families. Housing priced in the so-called "luxury" brackets above $20,000 averaged about 7 per cent. These data were gathered in a survey conducted by the National Association of Home Builders. Conclusions that are being drawn are that the builders are not contributing to an inflationary spiral, that home financing institutions need not look with suspicion at prices.

Special Security Features For Profit and Income--

COMPANIES TO MAINTAIN OR INCREASE EARNINGS IN 1953

By J. C. Clifford

We offer a list of companies with the best comparative record of earnings in their respective industries—whose prospects indicate continuation of satisfactory profit and dividend trend—(1) where profit and dividend level should remain high, (2) or go higher in the year ahead.

7 COMPANIES LIKELY TO INCREASE DIVIDENDS IN 1953

By Our Staff

— Where aggressive management — and expanding activities — are increasing net available for stockholders

While some companies likely to increase dividends have already discounted their prospects in the recent rise — these seven progressive companies *have not already done so.* They have made consistent and substantial progress in the last few years with plans calling for further expansion under aggressive management . . . have been able to maintain a satisfactory profit margin against current handicaps . . . and are *still under-valued in relation to their profit potentials.*

WHICH OF THE 1952 LAGGARDS SHOW BEST CHANCE OF RECOVERY?

— Which to hold . . . which to acquire vs. stocks which should be avoided

By George L. Merton

This valuable story takes up the listed stocks—some 46% of the entire list—which lagged or declined in 1952. It contrasts the position of those companies which are still failing to make progress with others in this group *which are now surmounting their difficulties*—and which face a materially improved outlook during the coming year.

BANK SHARES SHOWING NEW PROMISE

By J. S. Williams

During the past year the leading banks have been revitalized as the result of a change in fundamental policies by the Federal Reserve Board and the U. S. Treasury. For the first time in many years, banks have been able to operate in a free money market. This is in addition to their increasing efficiency in controlling costs and their steadily increasing margin of profit — and for the first time in many years, bank shares offer promise for long term profits and substantial dividends.

...A

1953

Coming In Ou

Inves hold- istic tells and dividends, those It answers investors Government are lik individual issues. It weighs the underly trends of corporate profits . . . and the e Vital as a gauge to any shift in market t psychological—that must be taken into c

● Your Tax Bill . . . $79,000

— Evaluating the threat to our econom overlapping of Federal, State and — And the effect on bus

By James T. Roberts

With the Federal income tax at a record-brea governments — not to be outdone — are increas public's vanishing dollar. Taxes today are abso income — the *danger point* beyond which our to crack. This penetrating article, generously i the foundation for a sound tax reduction poli where cost of collecting is eating up revenue re essary duplications of various taxing sources . . . corrupt tax practices.

● The Meeting Of Minds To Correct Un-Economic Labor

— To solve the problems of inflationary tre buying power . . . and severe foreign co — To repair labor's unfair political advantag of our country

By Thomas L. Godey

This very important story deals with the econom overtake us if other labor groups make new de to those recently granted to Mr. Lewis' coal mi hensive article presents a clear picture of our d consumer goods and shows the inroads — curre that can very easily be made by low-priced forei (even with the addition of a 90% tariff). It objectives of the various labor leaders — their i immigration . . . and their stand on the Capi conclusion it presents the realistic approach lik Administration — the possible changes in the Ta and resulting government-labor-industrial relat

• This Is Your Opportunity To Secure Top-Notch Investment-Business S

As We Go To Press

Washington is settling down after the Election Day shock, or gloom, or joy, as the case may be, and in the interval which leads up to the inauguration is giving serious thought to what lies ahead. Affability is the theme as Eisenhower designates confer with the men they'll succeed after Jan. 20. The moods of the departing executives range from manifest sense of relief to downheartedness. Since the ballots were counted the federal government has been operating in a void; only on the top level of party strategy has there been real signs of life. And the objectives of the strategists are open to question.

Unwisely, many businessmen appear to be taking an overly optimistic view of the pending turnover. The transition in government policy will not come with the speed of throwing an electric switch; it must be orderly, not abrupt. And there will be impatience when results do not show at once. While President Truman and Adlai Stevenson have spoken a genuinely sincere hope that all will cooperate in the national interest, some of the underlings already are suspect of planting tacks along the highway over which the Eisenhower vehicle must travel to its goals.

Patience must be the watchword. All of the Eisenhower Cabinet and sub-Cabinet designees have had broad experience either in business or state government, or both. A few of them have been on the national level for brief periods. Until they get a foothold, it will be impossible for them to take major steps -- and it would be unwise for them to attempt to walk before they learn to crawl. That brings up a question for which the Ike insiders wish they had a firm answer: will business and industry be willing to lend the services of key men, experts who have experience as part-time, or full-time with limited tenure, to getting the new vehicle of government in motion. Feelers already have been put out and the response has not been unsatisfactory. The test will come when real commitments are asked. Democratic Presidents had no difficulty. Eisenhower should not.

Labor unions, still smarting over the spanking they took on Election Day, are girding themselves to make history in 1953. Senator Taft already has suggested that changes in the labor-management code will be on his schedule. And the incoming Secretary of Labor, Martin Durkin, has eased Taft into a position -- or, perhaps, it would be more accurate to say, the Ohio Senator stumbled onto a spot -- where conferences on the subject must be held. Taft's impulsive condemnation of the Durkin designation to the labor secretaryship is the first good "break" Ike received in the post-election period. The reaction was almost totally in favor of the President-elect Durkin's soft words of reply built his stature.

Encouraging progress is being made by the skeleton organization that has been set up to serve as the nucleus of the Office of Distribution in the Department of Commerce. Plans call for developments that will be both timely and useful to the distributive trades. In the past many of the more important studies made by the Department were released too late to be of any practical value to those they were intended to serve. Sudden changes naturally couldn't be reflected. The scope of the surveys will be narrowed, distributors will be asked to indicate points of particular interest and their suggestions will be followed.

With the opening of the new congress, everythinng points to one of the busiest schedules in recent years. Organization of the senate and house will take several weeks. Committee assignments under republican leadership will mean an entirely new approach to major legislative matters. Although chairmanships are fixed by seniority (except in rare circumstances; the GOP would not, for example, give one to rebellious Senator Morse, seniorty or not), it will be weeks before the complete makeup will be learned.

Forecasters rush in where congressional leaders fear to tread and the woods are full of ""experts'' who know exactly in what order the congressmen will consider pending legislative problems -- the fact that the solons don't know themselves notwithstanding. Precedence will be determined by a committee which has not yet organized; obviously there has been no meeting of the minds. But just as President-elect Eisenhower was quick to fulfill his promise to go to Korea for a first-hand examination of the situation as a basis for later peace formula, the new congress is likely to be marked by prompt action.

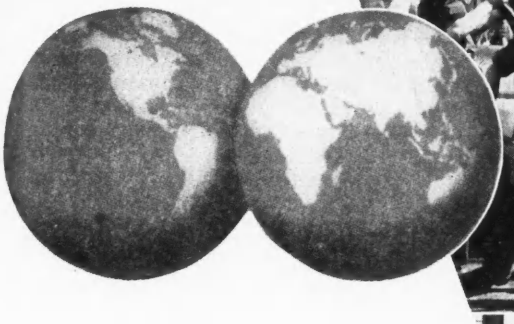
One of the leading members of the house put it this way: "We've been out for 20 years. We'd better be good!" It isn't a forecast but a statement of obvious fact that one of the first problems to be tackled will be taxes -- the reduction which was promised and which must be delivered, assuming there is no all-out war. As in the case of Korea, there is no panacea. It would be simple to cut appropriations across the board, or the new President might instruct the departments not to spend appropriated money beyond a fixed percentage. That would be easy. And fatal. The excess profits tax provided for in the 1950 Revenue Act will a natural death June 30, 1950, unless reinstated. There is no present indication that the levy will be continued. There's some talk of raising corporate rates a point or two to compensate in a degree, but that seems to be more exploratory than probable.

The Eisenhower Administration facees real difficult problems in the general fields of taxation. Costs of government are high, will continue to be high because brakes cannot be summarily applied without inviting serious economic dislocation. Military procurement is gradually slowing, but cannot be reduced to a point of substantial help to the taxpayer for at least another year, possibly two years. The position of the corporate taxpayer will be improved by expiration of the excess profits levy, but what of the individual? Will he be content? Will he consider relief of corporations and its indirect effect upon him to be a satisfactory achievement by the Administration?

The 1950 Revenue Act fixed the expiration date of the higher individual income tax percentage at Dec. 31. There is lively sentiment for moving the date up to June 30 -- closing date of the fiscal year. Such a move would stimulate business on the whole. Obviously it would make it necessary for the Treasury to go into deficit financing to overcome the lost revenues which had been anticipated but would not be forthcoming. Considered from any angle, the picture reflects official belief that spending can be curbed and taxes reduced. It's a matter of degree, however; the extent of tax reduction can be only guesswork.

Already there are signs that federal agency personnel will be sharply reduced. Interesting observation is that the Administration in its closing days is finding it possible to do what was considered impossible before the election: slash payrolls. It is evident that the intent is to get the job underway before the new officials take over, whittle down the credit that might come to them. There's plenty of room for operation because the federal family carried the names of 2,619,000 persons as of July (last date of complete job census) and that was the highest figure since the end of World War 2, with the exception of December 1951.

The Office of Price Stabilization is considering another personnel reduction to wipe out 2000 of its 6000 positions. National Production Authority has given 30-day notices to 700 employees in Washington alone. The Defense Agencies are cutting down. But a heretofore overlooked source of payroll pruning has come under the GOP microscope and in most cases the elimination of one job would save the equivalent of three in Washington. That's the foreign service. It is a demonstrable fact that reductions in foreign aid payments have been accompanied by personnel increases. The pattern has not been uniform but, on the other hand, no justification has been shown, say the GOP lawmakers who are on the scent of money savings. Some of their number don't like the idea. Patronage jobs are involved.



Significant Developments

AROUND The WORLD

By V. L. HOROTH

"There can be no blinking of the fact that the United States and the free nations face a more difficult supply situation *in the future* than in the past." This quotation is from the report on "RESOURCES FOR FREEDOM," one of the two important publications this year that cast light on the problems facing the Free World during the next twenty years. One of the best documented studies of kind (5 volumes or 800,000 words), the Report, prepared by the President's Materials Policy Commission—also known as the Paley Report, after its chairman—discusses the raw materials problem of the United States and other free nations, and makes some general recommendations in respect to the building up of economic and industrial strength needed to counter agression.

Some of the facts about our present and future needs are truly astounding. Although we have in the United States only about 9.5 percent of the population and about 8 percent of the land area of the free world, we produce and consume about one-half of the output of goods of the free world. We are far from self-sufficient. Out of about 72 strategic and critical materials, we are dependent on overseas supplies for 40 of them.

"One thing seems certain about the materials problem: it will presist," comments the Paley Report. "Its forms will alter, its severities may be controlled and partial solutions will present themselves—but the forces that brought the problem into being will increase rather than diminish. . . . As industrial civilizations grow in complexity they compound the demand for raw materials . . . and will thus be pressing harder and harder against resources which are not similarly expanding."

The Paley Report does not suggest a threat of actual shortage except in a few isolated cases, but it anticipates rising "real" costs in terms of hours of human work and capital investments. It calls for a more economic use of the raw materials available and suggests three main ways from which relief can be expected: (1) the stimulation of new discoveries of natural resources, (2) industrial and scientific research into employment of substitutes or raw materials still abundant, and (3) larger raw material imports from other nations of the free world.

* * * * *

The other searching report made this year was that of Josue de Castro, Brazilian nutritionalist, who is the chairman of the UN Food and Agriculture Organization. The report is called "THE GEOGRAPHY OF HUNGER," and it advances the thesis that chronic undernourishment—and half of the world is undernourished by American standards—is the cause rather than the result of the accelerated growth of population. According to Dr. Castro, the birthrate falls in direct proportion with the intake of animal proteins (eggs, meat), there being apparently some connection between the presence of protein in the liver and the secretion of estrogen which controls the fertility of women.

Though Dr. Castro's assertion remains yet to be proven, the free world is faced with the acute problem of the pressure of rapidly expanding population on the available resources—a problem that communist propaganda has been successfully exploiting for Russia's own aggrandizement. The truth is that the world's population increase is accelerating, but perhaps more because of the declining death rate than

the growing birth rate. The world's population, which was 1.8 billion in 1920, increased by 1950 to about 2.4 billion. With a net birthrate of about 60,000 a day, or 22 million a year, compounded, the world's population is expected to reach some 3.5 billion by 1980 and 4.8 billion by 2020 (doubling every seventy years).

Yet the well-known conservationist, William Vogt, claims in his book "ROAD TO SURVIVAL" that "the world cannot support three billion people at any but coolies standards" if the present wastage of natural resources, including soil, continues. As against this pessimitic view, Sir John Boyd-Orr, the former director-general of the F.A.O., wrote recently rather optimistically that "the only practical limitations to food production are the amount of capital and labor human society is willing to devote to it."

* * * * *

The biggest increase in population during the next years is to come in Asia, Latin America, and, above all, Africa, where, as will be seen from the accompanying table, the population already increased from some 135 million in 1920 to almost 200 million in 1950. The foreboding of ferment—which incidentally has nothing to do with communism—is illustrated by recent events in the British East African Colony of Kenya, where a secret terrorist society called Mau Mau has been murdering European settlers, blaming them for the predicament in which the Kikuyu tribe has found itself as a result of the impact of the white man's ways and economy on the black man's ways and economy.

At the turn of the century when the first white settlers began to arrive in Kenya, the Kikuyu tribe numbered 100,000 people; the tribe practiced some agriculture, but mainly depended on its cattle herds which were the measure of wealth. The relatively high death rate (average life expectancy was about 35 years) kept the numbers down, inter-tribal wars and drinking feasts and dances and other activities provided "means of letting off steam in this virile race," comments the Government report.

Estimated World Population, 1920 and 1950

(In Millions)

	1920	1950	Average Annual Rate of Growth
Canada and U. S.	115	166	1.3%
Latin America	92	162	1.9
New World	207	328	1.5
Australia & Oceania	9	13	1.4
Western Europe	224	279	0.7
Near East and Turkey	70	95	1.0
India & Southeast Asia	472	598	1.1
Japan & Far East	71	104	1.4
Africa	136	199	1.3
Old World	982	1,288	1.4
Total Free World	1,189	1,616	1.45
Russia & Satellites[1]	245	310	0.7
China & Satellites	400	480	0.6
Communist Orbit	645	790	0.65
Total World	1,834	2,406	1.1

1—Including Eastern Germany.

The coming of the British put an end to inter-tribal wars; the missionaries suppressed feasts, and white doctors, hospitals and dispensaries did the rest. By 1950 the Kikuyu had grown into a powerful tribe of almost one million, and so, of course, their herds had expanded also. Since in the meantime some of their best land was acquired by white settlers who had been raising important cash crops—coffee, sisal, peanuts, tobacco—there began a serious overcrowding on the lands left to the Kikuyu tribe, an overcrowding which has been made worse by the native's wasteful farming and by over-grazing which in turn has led to serious land erosion in native reserves.

But this is not the end of the story. The land pressure has forced large numbers of Kikuyu into towns, particularly Nairobi, a rapidly growing metropolis of about 200,000 people. While in the city, these imigrants are off the tribal support lists, but when old or disabled, usually become a tribal responsibility, thereby adding to the food problem.

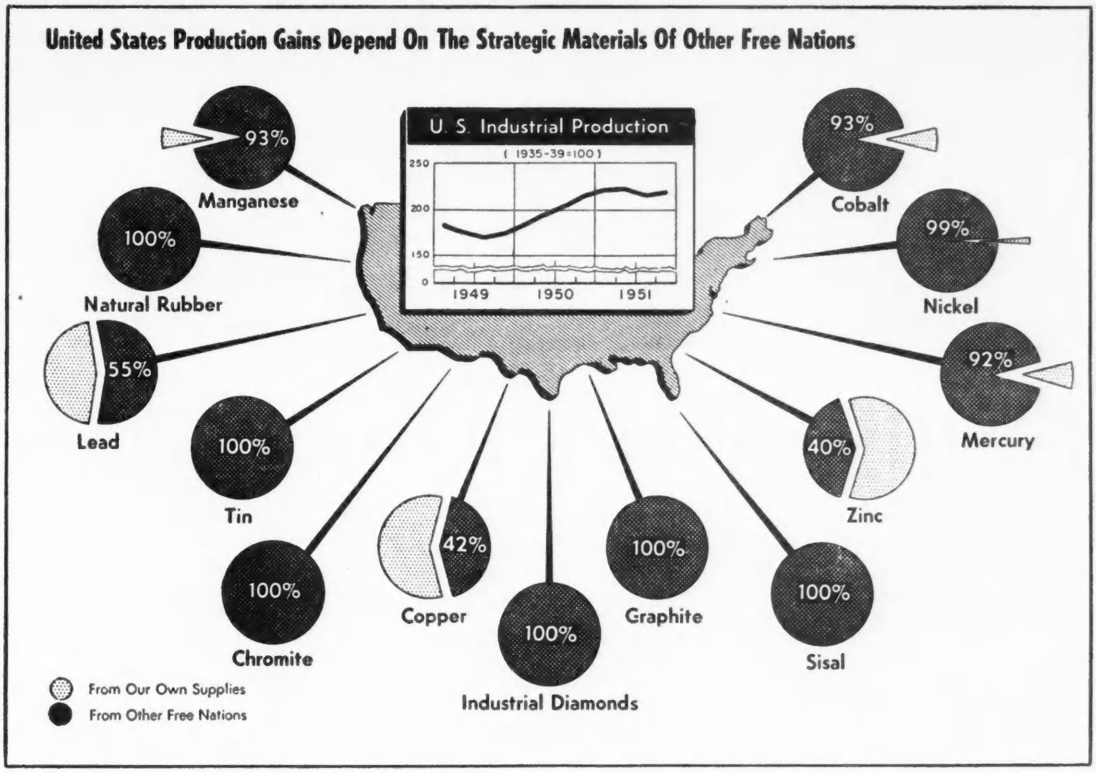
The Mau Mau movement can be explained as the bewilderment of the black man over the changes that have overtaken his more or less stabilized society during the past two generations; it is an attempt to restore "the old times" by means of the murder of the Europeans. Obviously the clock cannot be set back. The contribution of the white settlers is too important for the economy of Kenya. Besides the low dry country ranched by the Europeans is no good for Kikuyu farming. But some way out will have to be found. More police, as the white Kenyans suggest, could be but a temporary palliative under the circumstances. More education and more technical training is needed and in some quarters the iea of "education bonds" is being discussed. The bonds, or opportunity to be trained, would be earned by a native through previous good work. A retirement allowance for workers returning to their tribes has also been suggested. Still another way out may be found in resettlement of the natives, there being land available in other parts of Kenya.

One of the great problems in Africa is the breakdown of tribal customs and laws which in the past gave stability to tribal life. Then there is the problem of poverty, stemming partially from the great differences in the standards of pay even in the trades where an African performs what is popularly called "Europeans' work." Whether the future development of Africa will be peaceful and constructive rather than violent and destructive will depend very much upon the guidance of the African through the present critical but creative period. The Mau Mau can be stopped only by intelligent reforms of present economic evils.

* * * * *

For the hard-working people of Finland, 1952 was a year of mixed blessings. There was a cause for rejoicing when last September 18 the books were closed on eight years of war preparations to Russia. The Finns watched the last load of tribute with a sigh of relief, but went back to work without taking much time out for celebration. For 1952 was also the end of the post-Korean export boom, and the country had to think about such matters as declining production and meeting competition in western markets.

The bill which the Russians had presented in 1944 and which the Finns finally finished paying in 1952



United States Production Gains Depend On The Strategic Materials Of Other Free Nations

was a heavy one. The indemnity was originally put at $300 million in "reparation dollars," but the prices assigned to goods in terms of these reparations dollars were often ridiculously low. It is estimated that even after the Russians agreed to cancel some items, the goods finally delivered by Finland over the eight-year period were worth some $570 million at 1952 prices.

For a small country, with a population not much over half that of New York City, and ravaged by war into the bargain, the burden was a heavy one. It is estimated that in the first postwar years, reparations and other special charges resulting from the war absorbed over 10 percent of the already depleted national income. At the same time Finland had to cope with the problem of resettling refugees from the 12 percent of her territory ceded to Russia under the Armistice.

* * * * *

During the past months there were two new cases of expropriation, both affecting British enterprises. One of them concerns a land company which successfully drained some 200,000 acres of swampy land around Lakes Copais and Likeri in central Greece. Employing agricultural machinery and latest farming methods in raising cotton, cereals, sheep and cattle ,the company was one of the farm show places in Greece. How the company will fare as "a state farm" managed by ineffectual bureaucrats in Athens may be left to the reader's imagination.

A similar fate was meted out to the Brtiish-owned Easter Island Exploitation Company which was successfully engaged in the production of merino wool on Easter Island, a lonely Chilean outpost in the Pacific, even farther off the Chilean coast than is Hawaii from San Francisco. The company is being "nationalized," presumably because it neglected reforestration work and overgrazed the land which produced in turn a serious erosion. The action has come in for a good deal of attention because it throws light on the thinking in the Santiago official circles. It may very well be a preview of things to come under the new Blasco Ibanez regime. However, a recent Santiago dispatch stated that the plans for the nationalization of copper mines had been abandoned.

In contrast with Greece and Chile, the Republic of Turkey has recently decided to end the Government monopoly of the exploitation of the nation's petroleum resources and to let a private company, presumably American, try its luck. Oil is found in Turkey in two areas: in the south-central region and along the Syria-Iraq frontier. Oil exploitation as a government monopoly did not get very far. Now that the nation has a large motorized armed force and that her agriculture also needs petroleum products to run thousands of new tractors and other agricultural equipment (a great deal of which was provided through American aid), petroleum has become an important item. To save dollars, the hardheaded Turks swallowed their pride and reached the conclusion that foreign capital and foreign knowhow might make a better job of getting oil out of the gruond.

* * * * *

Encouraged by the progress of the Schuman plan, the sixteen O.E.E.C. countries set their sights higher last spring when they met to discuss for the first time an even more ambitious plan—a pool of Europe's agricultural production.

The Green Pool, as it quickly came to be called, was first proposed in April 1951. Again, as in the case of the Schuman plan, it (*Please turn to page* 365)

The Pipe Line Stocks

—A Growing New Industry

By GEORGE L. MERTON

Production, transmission and distribution of natural gas has undergone phenomenal growth in the last 10 years. The industry now represents an investment of over \$9 billion. Within the next five years this figure is expected to swell to \$14 billion.

The growth already achieved and that to come is in response to the rapidly rising demand for natural gas for space heating, cooking, heat treating in the metalworking industry, the generating of electrical energy, and the continually greater consumption in the dynamic chemical industry, including the fast upsurging petrochemical field.

Close to one million homes installed gas heating facilities during the 1951-52 heating season. Another 900,000 new users are expected to join the ranks during 1952-53. At the close of the third quarter of this year, the industry's residential customers totaled 17..4 million, an increase of 17.5% over the number as of September 30, last year. On the same basis of comparison, more than 1.3 million commercial customers represented a gain of 17.6%, and industrial consumers climbed to 71,400, for a gain of 21% in one year's time.

More striking, perhaps, is the rise in revenues for the 12 months ended Sept. 30, last, to \$1,853 million, up by \$269 million, or 17%, from the figure for the preceding 12 months. But this increase, impressive as it is, was restricted partially because of the failure of industrial activity in the third quarter of this year to fully recover from the effects of the steel strike, although revenue from industrial users in this year's third quarter registered a gain over the same period of 1951 of 14%, or \$18 million.

All told, the natural gas industry is currently serving close to 19 million customers, a total that is continuing to expand as fast as manufacturers of gas or distributors of mixed gas can convert to natural gas and as new sales areas are opened up by the pushing of pipe lines into territories lacking natural gas service, particularly the Pacific Northwest and other smaller areas of the country. Of the better than \$5 billion projected for expansion of the industry in the next five years, approximately \$3,075 million will go toward building additional pipe lines.

These lines are the backbone of the industry. Other major divisions are the producers and the retail distributors, but the pipe line or transmission companies appear to have the greater possibilities. Some of them are also producers, and if they are, so much the better are their prospects.

This outlook is predicated on the fact that while the natural gas industry has expanded to where it now stands as an industrial giant, there does not seem to be any limit to further growth. Total production of natural gas in 1951 reached 8 trillion cubic feet, of which 7.5 trillion was marketed, but most of the remainder would have undoubtedly been taken up had there been pipelines to carry it to areas such as the Pacific Northwest and New England. This situation has been partly corrected by the completion of

(*Please turn to page* 368)

Natural Gas Pipeline Companies

MAJOR LONG DISTANCE TRANSMISSION COMPANIES

	Main Business	Net Per Share Est. 1952	1951	Recent Price	Indicated Dividend	Div. Yield	COMMENTS
El Paso Natural Gas	Transmitter	$2.85	$3.14	35	$1.60	4.5%	Proposed $176 million expansion should add substantially to earnings. Granting of rate relief could be followed by higher dividend.
Mississippi River Fuel	Transmitter	3.30	3.29	37	2.20	5.9	Well situated unit, further strengthened by 50% interest in gas utility in St. Louis area, together with interest in gas acreage.
Northern Natural Gas	Transmitter (some Distr.)	2.60[3]	1.68	43	1.80	4.2	Presently snarled with FPC on rate increases granted previously. Has taken the matter to court and if sustained should show earnnigs improvement.
Panhandle Eastern Pipe Line	Transmitter	4.50	3.03	76	2.50[1]	3.3	Higher net reflects continued growth, with further gains looked for next year. Has a 40% interest in recently formed petrochemical company.
Southern Natural Gas	Transmitter (some Distr.)	2.40	2.17	28	1.32½	4.7	This southern operator should continue to improve earnings under favorable industrial conditions in its territory. Stock recently split 2-for-1.
Tennessee Gas Transmission	Transmitter	1.60	1.36	24	1.40[1]	5.8	Partial rate boost early this year reflected in improved earnings for this leading natural gas wholesaler with outstanding growth prospects.
Texas Eastern Transmission	Transmitter	1.20	1.75	17	1.00	6.0	Sqeeze on net by higher operating costs should be lessened by rate increase under bond effective last Nov. 1. Growth prospects good.
Texas Gas Transmission	Transmitter	1.49[2]	1.84	16	1.00	6.2	Downtrend in earnings reflects higher costs. Expanding facilities should pull net up and granting of rate relief should be of material aid.
Transcontinental Gas Pipe Line	Transmitter	1.25	1.35	22	.35	1.5	Has developed rapidly in two years of operations. Paid initial 35 cent dividend Dec. 15. Has good growth prospects.

[1]—Plus stock. [2]—12 months ended June 30, 1952. [3]—Based on interim rate increases.

COMPANIES PARTIALLY ENGAGED IN TRANSMISSION

	Main Business	Net Per Share Est. 1952	1951	Recent Price	Indicated Dividend	Div. Yield	COMMENTS
American Natural Gas	Distributor (& Transmitter)	$2.20	$2.58	34	$1.80	5.3%	Pending clarification of rate cases earnings likely to be off from 1951 level. This integrated company has good outlook and stock has long-term appeal.
Colorado Interstate Gas	Gas Purchaser, Transm. & Sales	......	1.88	29	1.25	4.3	Operates two main transmission lines and has gas rights on 280,000 acres. A growth company. Immediate earnings outlook clouded by FPC attitude.
Columbia Gas System	Large Regional Distributor	.90	1.06	15	.90	6.0	Has applied to various regulatory bodies for higher rates and confidence in results indicated by recent dividend action. Shares undervalued.
Consolidated Natural Gas	Large Regional Distributor	4.80	5.67	57	2.50	4.4	An especially strong unit with substantial gas production and important markets. Despite increased costs earnings hold close to twice dividend needs.
Equitable Gas	Distributor	1.80	1.83	22	1.30	6.0	A stable earner owning sizable gas acreage and serving at retail the Pittsburgh area. Yield is attractive along with speculative possibilities.
Interstate Natural Gas	Production, Purchaser & Distr.	......	3.27	40	2.50	6.2	Controlled by S. O. of N. J. Earnings reflect industrial activity in Gulf Coast area of Louisiana. Merits consideration for yield and growth possibilities.
Lone Star Gas	Product., Purch., Trans. & Distr.	1.55	1.76	28	1.40	5.0	Higher industrial rates since last August and favorable action for increased domestic rates should lift earnings to 1951 level.
National Fuel Gas	Purch., Produc., Trans. & Distr.	1.30	1.19	15	.80	5.3	A comparatively small company, but with earnings climbing with the expanding natural gas industry. Current dividend needs amply covered.
Pacific Lighting	Large Regional Distributor	4.50	3.36	57	3.00	5.2	A rapidly growing natural gas distributor. The shares offer a good yield, while the long-term outlook gives the issue growth potentials.
Peoples Gas Light & Coke	Distributor (some Trans.)	9.00	9.16	134	6.00	4.3	A solid, conservative company serving Chicago with mixed gas. Impressive earnings record should be maintained. Stock possesses growth possibilities.
United Gas Corp.	Product., Trans., Distribution	1.90	1.56	27	106¼	4.0	Completion of $170 million expansion program is reflected in 1952's higher earnings. The stock ranks high in quality and has outstanding growth potentails.

Capital Gains Through CONVERTIBLES

By J. S. WILLIAMS

Interest in convertible preferred stocks and bonds has been stimulated recently by the better market for equities. This is a logical development as convertibles, while affording investors comparative safety of investment yield, also gives them, through convertibility, an opportunity to realize capital gains from price appreciation in the common stocks into which they are convertible.

Convertibles may be handicapped, however, since income return on securities of this thype is generally below that obtainable on regular bonds or preferred stocks of comparable quality. The difference is the premium the investor pays for the conversion privilege, and the amount of the premium will vary according to the market's evaluation of the conversion potential.

A factor to be considered is the time element, or more particularly the intermediate and long-term outlook for the common stock. It is for this reason that the current market prospects for convertible securities depends to a large extent on whether or not convertibility is a comparatively near- or long-term possibility.

Points to Consider

In view of the interest being displayed in issues of this type, we believe investors will be interested in the accompanying (*Please turn to page* 365)

Sound Convertible Bonds and Preferred Stocks

BONDS	Rate & Maturity		Recent Price	Current Yield	Number of Shares Common Into Which Convertible	Date Convertible to	Recent Price of Common Stock	Price at Which Common Must Sell for Profitable Conversion
American Tel. & Tel.	3½s	1964	122⅞	2.8%	10[2]	[1]	161	158⅞
Detroit Edison	3s	1958	122½	2.4	50	6/1/58	25	24½
Dow Chemical	3s	1982	109½	2.7	20.68	7/1/62	44¼	52 13/16
Inland Steel	3¼s	1972	107¾	3.0	18.867	3/15/67	44⅛	57⅛
Scott Paper	3s	1977	112	2.6	17.867+	8/31/57	56½	62¾
Standard Oil of Indiana	3⅛s	1982	109¼	2.8	11.49 +	10/1/57	77½	95⅛
Warren Petroleum	3½s	1966	109½	3.1	29.41 +	10/1/61	33⅜	37¼

1—From July 31, 1954 through July 1, 1955. 2—On payment of $360.00.

PREFERRED STOCKS	Div. Rate	Recent Price	Preferred Yield	Number of Common Into Which Convertible	Date Convertible to	Recent Price of Common	Price at Which Common Must Sell for Profitable Conversion
Abbott Laboratories	$4.00	112	3.6%	1.7	1/1/62	47	65⅞
Air Reduction	4.50	112½	4.0	3.75	11/30/61	28¼	30
Allis-Chalmers	3.25	115½	2.8	2.0	[1]	57½	57¾
Carrier Corp.	2.00	57	3.5	1.56	1/15/56	33½	36½
Denver & Rio Grande West.	5.00	91¾	5.4	1.0	[1]	78	91¾
Gillette Company	5.00	98	5.1	2.0	[1]	33½	49
Worthington Corp.	4.50	111¼	4.0	3.6765	[1]	30½	30¼

1—Until called, or indefinitely.

Five Undervalued SOUND INVESTMENTS

By OUR STAFF

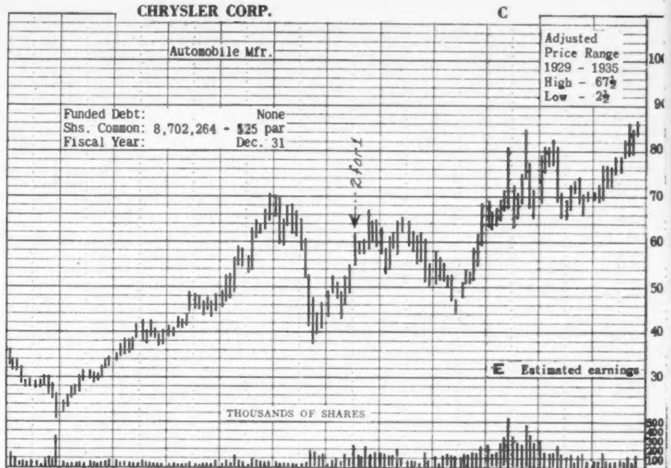
Investors looking for quality stocks, which means issues of sound value, will find that there are available at prevailing market prices a limited number which by all standards of measurement appear considerably undervalued.

On a comparative basis with other stocks in their particular groups, these issues are selling out of line from the standpoint of earnings records and recognizable potentials in long-term price appreciation.

On this and adjoining pages, we set forth concise comment and condensed, vital statistical data on five undervalued, sound investments selected as affording outstanding investment opportunities. They are issues with great appeal to investors primarily interested in capital gains over the long-term and yet, who, at the same time, are concerned with the problem of obtaining a good or better-than-average return on their investment funds.

At current market prices, these five stocks making up our selection, are selling to yield from a minimum of 4.8% to as high as 7.1%. Without exception, all have been liberal dividend payers over many years. For instance, National Steel Corp., has a dividend record maintained without a break for 23 years; Chrysler Corp.'s uninterrupted record goes back 27 years; Mathieson Chemical hasn't failed to pay a dividend in 27 years; Pacific Lighting has paid dividend in each of the last 44 years, but is excelled in this respect by Louisville & Nashville which began its career as a dividend payer 60 years ago.

On the basis of such records, all five issues in the group represent the type of investment that can be relied upon to maintain dividend distributions under any but the most depressed conditions. Each of the five is definitely developing along sound lines. By ploughing back a good part of earnings in recent years, they have increased and improved existing facilities and, with their strong financial conditions, are in an unusually good position to benefit from continued expansion of activity in their respective fields.



1941	1942	1943	1944	1945	1946	1947	1948	1949	1950	1951	1952	
4.61	1.78	2.68	2.85	4.30	3.09	7.72	10.25	15.19	14.69	8.27	E8.00	EARN.
3.00	1.75	1.50	1.50	1.50	1.50	2.87½	4.00	5.25	9.75	7.50		DIV.
127.2	141.3	168.3	192.8	194.9	187.2	217.0	230.6	339.8	333.9	249.5	Wkg Cap $ Mil	

CHRYSLER CORPORATION

BUSINESS: Ranking as the third largest unit in the automotive industry, Chrysler produces a complete line of automobiles, as well as trucks, parts and accessories, marine and industrial engines, and among other things, Airtemp heating, refrigeration and air conditioning equipment.

OUTLOOK: Despite the disturbance to automobile production as a result of the strike of steel workers last summer, Chrysler Corp., for the 9 months to Sept. 30, 1952, was able to report net sales of $1,720 million. Although this figure was $265 million under net sales for the same period of 1951, net earnings for the 1952 period, amounting to $59.6 million, were up $9.5 million over the first 9 months of the year previous. The 1952 period figure amounted to 3.47% of sales and were equivalent to $6.86 per share, whereas in the 1951 nine months they were 2.52% of sales, equal to $5.76 per share. This improved showing was achieved even though estimated Federal income taxes took $116.5 million of earnings, compared with $54.9 million for the same months of last year. While less severe Government price controls aided 1952 operations, the outstanding factor was Chrysler's ability to reduce its total costs in the 9 months by approximately $345 million with the result that net, before taxes, was 78% ahead of last year. Meanwhile, during the first 9 months of this year, the company was readying its plants for the production of its 1953 line of Plymouth, Dodge, DeSoto and Chrysler cars, embodying outstanding improvements in body design and notable advances in engineering and power plants. These changes were in line with Chrysler's aggressive policies and at the same time putting it in a position to capture a good share of the 1953 car market. The likelihood is that earnings will be materially augmented by an indicated expanding volume of sales for its air conditioning equipment to which will be added earnings from armament output represented by a backlog close to $2.2 billion. Chrysler faces the coming year in a strong competitive and a sound financial position.

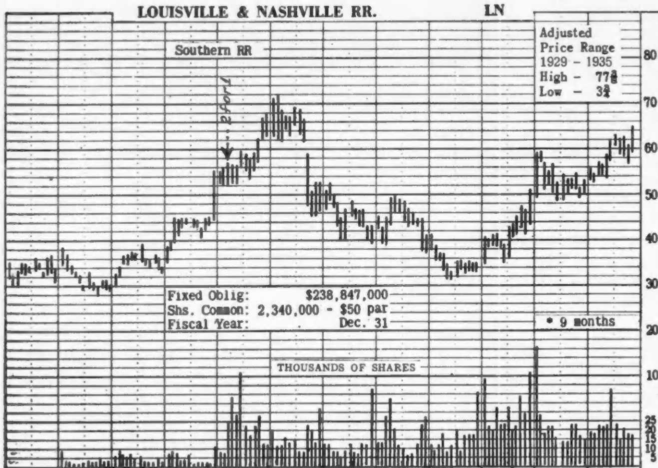
DIVIDENDS: In keeping with a generous dividend policy over the last five years, quarterly payments throughout 1952 have been $1.50 per share.

MARKET ACTION: Recent price of 84½, compares with a 1951-52 price range of High—86⅞, Low—65⅛. At current quotation the yield is 7.1%.

COMPARATIVE BALANCE SHEET ITEMS

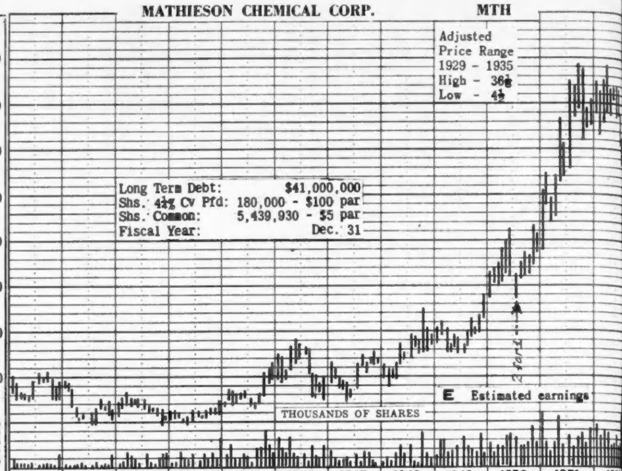
	December 31 1942	September 30 1952 (000 omitted)	Change
ASSETS			
Cash	$ 87,522	$127,169	+$ 39,647
Marketable Securities	......	37,370	+ 37,370
Unbilled Costs & Contracts, etc.	40,990	33,767	− 7,223
Receivables, Net	59,914	95,066	+ 35,152
Inventories, Net	71,162	185,501	+ 114,339
TOTAL CURRENT ASSETS	259,588	478,873	+ 219,285
Net Property	55,090	299,372	+ 244,282
Investments	3,822	15,305	+ 33,483
Other Assets	5,329	5,391	+ 062
TOTAL ASSETS	$323,829	$798,941	+$475,112
LIABILITIES			
Accounts Payable & Payrolls	$ 62,200	$189,584	+$127,384
Accruals	33,750	39,653	+ 5,903
Tax Reserve	22,267	28,179	+ 5,912
TOTAL CURRENT LIABILITIES	118,217	257,416	+ 139,199
Reserves	27,922		− 27,922
Capital Stock	21,755	217,556	+ 195,801
Surplus	155,935	323,969	+ 168,034
TOTAL LIABILITIES	$323,829	$798,941	+$475,112
WORKING CAPITAL	$141,371	$221,457	+$ 80,086
CURRENT RATIO	2.2	1.8	− .4

LOUISVILLE & NASHVILLE RR. LN



1941	1942	1943	1944	1945	*1946	1947	1948	1949	1950	1951	1952	
8.83	8.28	9.07	7.95	7.49	4.95	5.68	7.91	3.51	10.39	9.74	* 7.09	EARN.
3.50	3.50	3.50	3.50	3.51½	3.52	3.52	3.52	3.52	3.52	4.00		DIV.
32.8	36.0	40.7	43.8	48.4	42.5	42.5	70.7	43.6	51.1	38.6	Wkg Cap $ Mil	

MATHIESON CHEMICAL CORP. MTH



	1941	1942	1943	1944	1945	1946	1947	1948	1949	1950	1951	1952
EARN.	.95	.63	.67	.70	.60	1.13	1.67	2.81	2.57	3.32	3.56	E 3.5
DIV.	.87½	.56¼	.50	.50	.50	.62½	.81¼	.87½	1.06¼	1.50	1.70	
Wkg Cap $ Mil	4.4	5.5	7.2	9.1	10.3	7.7	.4	5.2	16.5	17.4	30.1	

LOUISVILLE & NASHVILLE RAILROAD CO.

AREA SERVED: Together with controlled lines, L. & N.'s rail system extends from Cincinnati and St. Louis through the rapidly growing industrial south, and traversing the Gulf Coast area from New Orleans to Pensacola and other points in Florida. Has connections with the Atlantic Coast Line which owns 35% of L. & N. shares.

OUTLOOK: Net earnings for the 10 months to November 30, this year, were equal to $8.29 a share of capital stock. There is no preferred issue. These earnings compare with $7.19 a share in the corresponding months of last year, and indicate full 1952 earnings of $10 a share, as against $9.74 in 1951 and $10.39 in the year before. The road's ability to maintain net income at this high level reflects first, increased operating efficiency, and second, the rapid expansion of industrial activity in the area served which, with the aid of rate increases, pulled operating revenues up to $226.4 million in 1951, compared with $169.6 million six years earlier. Within that period, the road spent $157.4 million for additions and improvements, $118.1 million going for new equipment. In 1951 a total of 116 new diesel locomotives were placed in operation, with 39 more scheduled for delivery throughout 1952. Further diselization of motive power is part of 1952 commitments of about $58 million for additional improvements. Including this latter figure, L. & N., in the seven years to the end of 1952, will have spent more than $215 million to improve operating efficiency with an increase of but $65 million in equipment trust obligations and funded debt, and no increase in its capital stock. Improvements and additions have reduced the road's transportation ratio to approximately 37%, with a saving of close to $11 million, on the basis of current traffic levels. It has, at the same time, been benefitting from the industrial development of its territory. Influx of new industries is providing greater diversification of freight traffic, and presages a continuation of improvement in traffic trends, further strengthening earning power of the road which is one of the nation's biggest haulers of bituminous coal.

DIVIDENDS: Has an unbroken dividend record over a period of 60 years. Payments this year were $1.00 quarterly, plus a year-end extra of 50 cents a share.

MARKET ACTION: Recent price of 64, compares with a 1951-52 price range of High—64¾, Low—48½. At current price the yield is 7.0%.

COMPARATIVE BALANCE SHEET ITEMS

	December 31 1945	1951 (000 omitted)	Change
ASSETS			
Cash & Marketable Securities	$ 53,338	$ 31,499	—$ 21,839
Receivables, Net	33,146	31,371	— 1,775
Materials & Supplies	12,462	18,575	+ 6,113
TOTAL CURRENT ASSETS	98,946	81,445	— 17,501
Road & Equipment	486,377	588,259	+ 101,882
Accrued Deprec. & Amort.	(cr)149,081	(cr)166,483	+ 17,402
Other Investments	28,489	63,003	+ 33,514
Other Assets	7,152	7,025	— 127
TOTAL ASSETS	$472,883	$573,249	+$100,366
LIABILITIES			
TOTAL CURRENT LIABILITIES	$ 50,474	$ 42,758	—$ 7,716
Other Liabilities	3,756	3,220	— 536
Unadjusted Credits	11,427	6,519	— 4,908
Long Term Debt	173,680	238,754	+ 65,074
Capital Stock	117,000	117,000	......
Surplus	116,546	164,998	+ 48,452
TOTAL LIABILITIES	$472,883	$573,249	+$100,366
WORKING CAPITAL	$ 48,472	$ 38,687	—$ 9,785
CURRENT RATIO	1.9	1.9	......

MATHIESON CHEMICAL CORPORATION

BUSINESS: The company, primarily a producer of heavy chemicals, has 21 plants in 11 states, producing organic and inorganic chemicals with broad diversification of products, including, through its recent acquisition of E. R. Squibb & Sons, a line of pharmaceutical, antibiotics and medicinal drugs.

OUTLOOK: Mathieson, over a long period of years, has been one of the foremost producers of caustic soda and other alkalies. On this sound basis of alkali production, it inaugurated in 1948, a policy of acquisition, plant improvement and plant development, which has widened its activities to where it is currently manufacturing about 7,500 tons daily of various chemicals such as sulphuric acid, ammonia, soda ash, caustic soda, chlorine and a host of other items together with their derivatives essential to agriculture and the major industries. As a result of this expansion program, sales within the four years to the end of 1951 have increased 270%, with a growth in net income, despite heavier Federal income taxes, of 230%. New highs in both sales and earnings will be established this year. In the first 9 months, net sales of $94.3 million were up almost $25 million over those in the same period of last year, with net earnings of $2.64 a share, presaging full year's net of $3.50, against $3.02 a share for 1951, on the basis of current capitalization. Figures for the first 9 months of this year do not include earnings of Squibb & Sons inasmuch as the absorption of that company was made as of October 1. Neither do 1952 figure fully reflect output of the new McIntosh, Ala., plant which got into full operation only last August. The outlook for the company is one of further growth. Refinancing, completed in 1951, has created a strong financial position to carry on further expansion and development, through its research laboratories, new products and improved production processes, which should result in a higher sales volume and increased earnings.

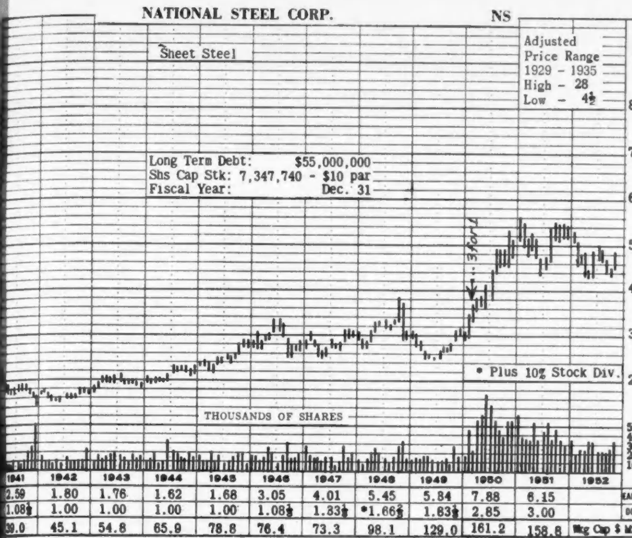
DIVIDENDS: The common stock, split 2-for-1 in 1950, has received uninterrupted payments for the last 27 years. Current quarterly payments are 50c a share.

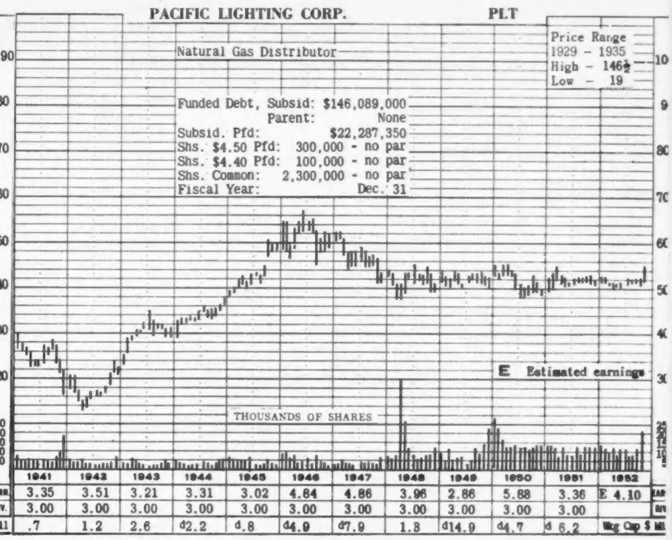
MARKET ACTION: Recent price of 41¼, compares with a 1951-52 price range of High—49-3/9, Low—29. At current price the yield is 4.8%.

COMPARATIVE BALANCE SHEET ITEMS

	December 31 1942	May 31* 1952 (000 omitted)	Change
ASSETS			
Cash & Marketable Securities	$ 3,737	$ 40,612	+$ 36,875
Receivables, Net	1,683	36,755	+ 35,072
Inventories	2,405	46,903	+ 44,498
TOTAL CURRENT ASSETS	7,825	124,270	+ 116,445
Net Property	17,051	122,133	+ 105,082
Investments	940	11,998	+ 11,058
Other Assets	1,108	6,553	+ 5,445
TOTAL ASSETS	$ 26,924	$264,954	+$238,030
LIABILITIES			
Bank Loans & Debt due	$	$ 1,529	+$ 1,529
Accounts Payable	595	8,432	+ 7,837
Accruals	.....	10,180	+ 10,180
Accrued Taxes	1,698	15,195	+ 13,497
TOTAL CURRENT LIABILITIES	2,293	35,336	+ 33,043
Other Liabilities	325	048	+ 277
Reserves	767	6,159	+ 5,392
Long Term Debt	.....	79,642	+ 79,642
Common Stocks	15,464	27,199	+ 11,735
Preferred Stock	.....	18,000	+ 18,000
Surplus	5,697	98,570	+ 92,870
TOTAL LIABILITIES	$ 26,924	$264,954	+$238,030
WORKING CAPITAL	$ 5,532	$ 88,934	+$ 83,402
CURRENT RATIO	3.5	3.5	.....

*Pro Forma statement giving effect to merger with E. R. Squibb & Sons.





NATIONAL STEEL CORPORATION

BUSINESS: With an annual ingot capacity of approximately 6 million net tons, and completely integrated operations, National Steel ranks fifth among domestic steel producers. Principal output is composed of sheets, strip and tin plate, major outlets for which are the automotive industry, railroad equipment builders, can makers and manufacturers of other consumer goods.

OUTLOOK: The company holds an outstanding and strong position in one of the most cyclical of all industries. It achieved this recognition by strategically locating its plants, fortifying itself with adequate supplies of basic raw materials, and concentrating production on the less cyclical items including steel sheets, principally for the automotive industry and tin plate which is in steady demand by tin can manufacturers. This position is reflected in the earnings record dating back to 1930, the first year of operations. In all that time there has never been a year in which it did not show a profit and pay dividends on its capital stock. Surplus earnings have been ploughed back into the business by enlarging facilities and modernizing equipment to hold operations at the highest point of efficiency. In keeping with this policy, the company only about three months ago blew in two new blast furnaces which will add about one million tons annually to its pig iron capacity. Property additions in 1951, amounted to $41.5 million, with the uncompleted portion of the expansion program, at the start of 1952, requiring an estimated expenditure of about $150 million, which, when carried out, should add substantially to earning power that produced net earnings of $6.16 a share in 1951, $7.88 in 1950, and $5.34 in 1949. Results for 1952, however, will be under the lowest of these figures, the steel strike partly affecting second and third quarter business, holding first 9 months net to $3.09, compared with $4.68 a share in the same months of 1951. The probability is that 1952 net will be close to $4.50 a share while the outlook for 1953 seems to justify expectations for earnings in that period to approach the high level set in 1950.

DIVIDENDS: An unbroken dividend record going back to 1930, includes a 10% stock dividend in 1948, and a 3-for-1 split in 1950. Current cash rate is 75c quarterly.

MARKET ACTION: Recent price of 47½, compares with a 1951-52 price range of High—56, Low—43. At current price the yield is 6.3%.

COMPARATIVE BALANCE SHEET ITEMS

	December 31 1942	1951 (000 omitted)	Change
ASSETS			
Cash	$ 20,801	$103,072	+$ 82,271
Marketable Securities	025	26,500	+ 26,475
Receivables, Net	17,167	39,582	+ 22,415
Inventories	39,148	54,526	+ 15,378
TOTAL CURRENT ASSETS	77,141	223,680	+ 146,539
Net Property	163,575	202,752	+ 39,177
Investments	9,218	23,444	+ 14,226
Other Assets	5,135	3,008	— 2,127
TOTAL ASSETS	$255,069	$452,884	+$202,069
LIABILITIES			
Notes & Accounts Payable	$ 14,144	$ 42,542	+$ 28,398
Accruals	5,421	11,080	+ 5,659
Accrued Taxes	12,381	11,233	— 1,148
TOTAL CURRENT LIABILITIES	31,946	64,855	+ 32,909
Reserves	9,468	33,471	+ 24,003
Long Term Debt	57,865	40,000	— 17,865
Capital Stock	55,002	73,620	+ 18,618
Surplus	100,788	240,938	+ 140,150
TOTAL LIABILITIES	$255,069	$452,884	+$202,069
WORKING CAPITAL	$ 45,195	$158,825	+$113,630
CURRENT RATIO	2.4	3.4	+ 1.0

PACIFIC LIGHTING CORPORATION

BUSINESS: Through two operating utility subsidiaries, this holding company sells natural gas at wholesale under flexible contracts to principally other utility companies, and at retail to residential, commercial and industrial users in 12 California counties in which are located Los Angeles and other fast growing communities.

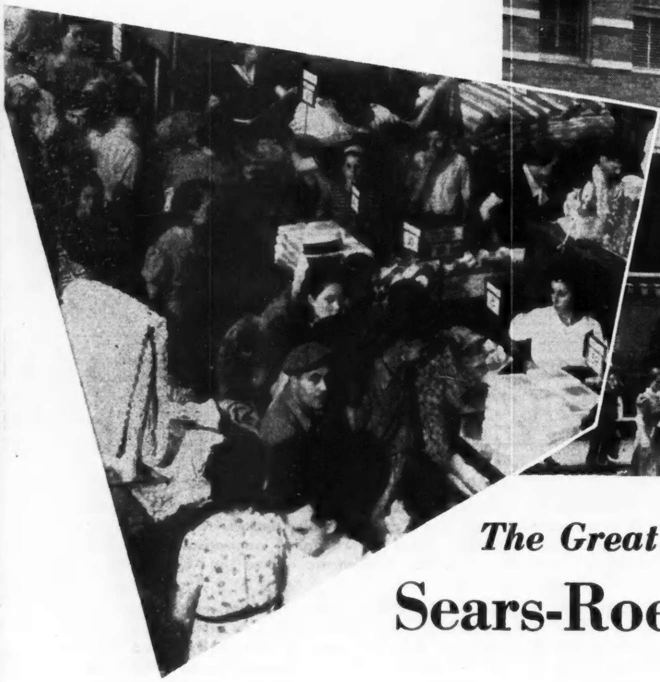
OUTLOOK: This 65 year old company has been experiencing rapid growth under the impetus of the greatest western migration in the history of the country. Within one year, 1951, its operating subsidiaries added 102,764 active meters to their system which was expanded by another 93,891 active meters in the first 9 months of 1952. As of that date, the total number of meters in use was just short of 1.7 million, gain of approximately 600,000 since the beginning of 1946. Gross operating revenues have paralleled these gains, rising from $68 million in 1946, to $124.4 million in 1951, and to a new record figure of $133.9 million in the 12 months ended Sept. 30, of this year. Net earnings in the latter period were equal to $4.32 a share, compared with $3.90, based on the average number of shares outstanding, in the previous 12 months, and contrasting with $5.88 a share for the 1950 calendar year. Increased costs and the necessity of enlarging system facilities have been the restraining forces on per share earnings. In the postwar years, including 1952, expenditures for additions, betterments, and replacements, have amounted to approximately $250 million. Of this total, about $131 million was raised through the sale of securities which has, for the time being, diluted common share earnings. Granting of partially higher rates has added about $10.9 million to annual gross revenues. This rate relief, together with increased sales of gas has apparently reversed the downtrend in earnings which set in in 1951, indicating the restoration of earning power more in line with the 1950 showing and which should be further strengthened by additional rate relief that has been asked for.

DIVIDENDS: The present company has an unbroken dividend record since 1909. Payments of 75 cents a share quarterly have been maintained for the last 15 years.

MARKET ACTION: Recent price of 55, compares with a 1951-52 range of High—55, Low—49⅜. At current price the yield is 5.4%.

COMPARATIVE BALANCE SHEET ITEMS

	December 31 1942	September 30 1952 (000 omitted)	Change
ASSETS			
Cash & Marketable Securities	$ 6,159	$ 21,975	+$ 15,816
Receivables, Net	4,916	9,204	+ 4,288
Materials & Supplies	1,836	6,475	+ 4,639
Gas in Storage	417	1,841	+ 1,424
TOTAL CURRENT ASSETS	13,328	39,495	+ 26,167
Property and Equipment	200,758	431,904	+ 231,146
Investments	5,575	500	— 5,075
Other Assets	9,557	1,332	— 8,225
TOTAL ASSETS	$229,218	$473,231	+$244,013
LIABILITIES			
Notes & Accounts Payable	$ 1,783	$ 11,590	+$ 9,807
Accruals	1,604	3,874	+ 2,270
Accrued Taxes	8,707	18,712	+ 10,005
TOTAL CURRENT LIABILITIES	12,094	34,176	+ 22,082
Other Liabilities	063	1,460	+ 1,397
Depreciation Reserves	72,466	92,281	+ 19,815
Other Reserves	4,010	22,578	+ 18,568
Long Term Debt	50,854	145,940	+ 95,086
Preferred Stock	20,000	40,000	+ 20,000
Preferred Stock, Subsidiaries	22,260	22,287	+ 017
Common Stock	29,938	61,381	+ 31,443
Surplus	17,533	53,128	+ 35,595
TOTAL LIABILITIES	$229,218	$473,231	+$244,013
WORKING CAPITAL	$ 1,234	$ 5,319	+$ 4,085
CURRENT RATIO	1.1	1.1	.....



The Great Mail Order Combination of

Sears-Roebuck and Simpson's

By H. F. TRAVIS

Of many characteristics identified with business activity, the one which has greatest appeal among investors is growth. There is an element of romance in expansion which fires the imagination of Americans. Perhaps it is the spirit of achievement—of excelling the other fellow—gained in school sports that accounts for the desire of most investors to place their money on a winner. This thought comes to mind in studying the dramatic rise of Sears, Roebuck & Co., to eminence in the world of merchandising.

This far flung enterprise, which has demonstrated that growth can be experienced in retailing as well as in electronics or chemistry, is entering upon another phase of its meteoric career through an affiliation with Simpsons, Ltd., in Canada by means of which the highly successful merchandising methods pioneered by the Sears management are to be extended throughout the Dominion. A new company to be known as Simpsons-Sears, Ltd., is to begin operations the first of the year as a jointly owned venture which promises to duplicate in Canada the enviable record achieved by the Sears organization in this country.

Before commenting in detail on the Canadian project, it would seem appropriate to review the progress of the Sears concern so that the latest development may be better understood as a phase in the broad expansion undertaken by an aggressive management immediately after the war. The bold step took many merchandising concerns by surprise, but the wisdom of the program has been fully demonstrated by subsequent events.

Initiative has characterized operations of this premier mail order company since its inception. The business traces its origin to a railroad station agent in a small Minnesota community, Richard W. Sears, who endeavored to enlarge his meager income by selling watches to train crews. His aggressiveness in this activity led to enlargement of his selection of wares and to concentration on mail order distribution instead of railroading. In the sixty-six years which have followed the Sears, Roebuck retailing organization has grown to the stage where annual sales approximate $3,000 million annually. Stores are operated from Canada to Central America and even in some cities in South America.

Expansion has been pronounced under the direction of General Robert E. Wood, who joined the company in 1924. The first retail store was opened in 1925, marking a vital change in policy from strictly a mail order business to a general direct retailing organization. Five years after the first outlet had been opened to the public, Sears had 351 retail stores in its nationwide chain. Growth was retarded during the depression years, but by the time the nation was plunged into a second World War, the company had 595 stores operating. Postwar development has increased the number now to 688.

A Bold Move Towards Expansion

The company's bold decision to spend millions of dollars on a renewed expansion after hostilities ceased in 1945 generally is attributed to the genial board chairman who recognized the potentialities of good roads and the automobile as a factor in changing merchandising trends a quarter of a century ago and who visualized the importance of a sharp increase in the birth rate during the war. While pessimists were biding their time in waiting for the usual postwar depression, General Wood took positive action. He said he placed his "faith in figures on

the increased birth rate" and recommended appropriation of $300 million for expansion.

Modernization of Facilities

Management had decided even before the war began that the "public's acceptance of Sears in many communities justified better retail stores." Plans had been drawn for modernization and enlargement of numerous outlets, but action along this line was forestalled by restrictions on construction during the war. Studies were conducted while building activity was barred and special attention was directed to population shifts occasioned by dispersal of industrial activity to interior points. The rapid increase in population in the South and especially on the Pacific Coast as well as in the Southwest was deemed significant. Latin American markets were surveyed to determine whether they might be suitable for the type of merchandising offered by the Sears stores.

Thus, after the Japanese surrender, the company was ready to undertake fulfillment of plans that had been formulated in previous years. In the five-year program ending with the 1951 fiscal year, more than 300 stores were either improved or opened. Many of these were the smaller units concentrating on "big ticket" items located chiefly in smaller communities where competition from national chains similar to the Sears organization remained limited.

Retailing is not a static business, the Sears management observes, in calling attention to the need for improvement of stores in many parts of the country to attract customers. Sales have been encouraged by installation of escalators in some of the larger retail stores so as to make shopping easier on upper floors. Air conditioning has been installed and parking lots have been enlarged where these improvements have been possible. New fixtures have been designed and put in place in many stores to permit better display of merchandise. Physical facilities now are considered adequate in a great many communities and, accordingly, emphasis is expected to be placed on expansion in new communities growing up around industrial plants such as the Fairless Works of the United States Steel Corporation.

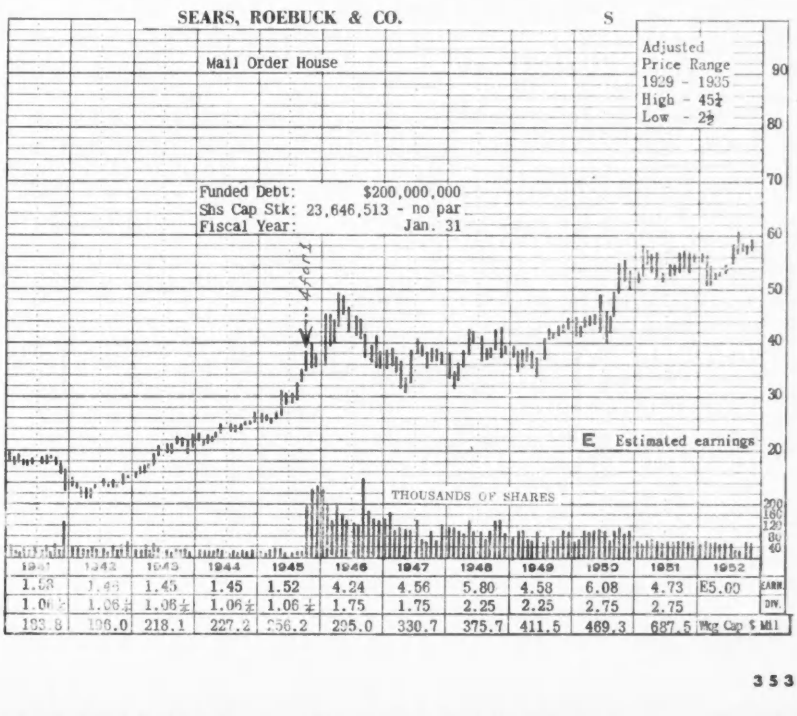
Need for enlargement of display facilities is evidenced by the change in character of merchandise handled. Management points out, for example, that customers have turned to retail stores such such as those comprising the chain for items such as washing machines, refrigerators, freezers, radios and television sets. A wider variety of models of such appliances must be shown to do the volume of business desired and a great deal more space for displays must be provided. The modern Sears store of today requires three times as much space for its washing machine department, for example, and five times as much space for the radio and television section as was used in a typical store only fifteen or twenty years ago.

Comparative Balance Sheet Items

ASSETS	Jan. 31 1942	July 16 1952	Change
	(000 omitted)		
Cash	$ 45,214	$ 145,666	+$100,452
Marketable Securities	3,996	19,247	+ 15,251
Receivables, Net	30,987	394,579	+ 363,592
Inventories	175,258	423,040	+ 247,782
TOTAL CURRENT ASSETS	255,455	982,532	+ 727,077
Net Property	108,472	212,927	+ 104,455
Investments	11,913	44,683	+ 32,770
Other Assets	10,958	19,018	+ 8,060
TOTAL ASSETS	$386,798	$1,259,160	+$872,362
LIABILITIES			
Notes Payable		$ 25,000	+$ 25,000
Accounts Payable	29,343	50,301	+ 20,958
Accruals	24,582	71,984	+ 47,402
Tax Reserve	17,699	155,135	+ 137,436
TOTAL CURRENT LIABILITIES	71,624	302,420	+ 230,796
Reserves	30,417		— 30,417
Minority Interest	1,137		— 1,137
Notes Payable—Banks		200,000	+ 200,000
Capital Stock	183,620	191,299	+ 7,679
Surplus	100,000	565,441	+ 465,441
TOTAL LIABILITIES	$386,798	$1,259,160	+$872,362
WORKING CAPITAL	$183,831	$ 680,112	+$496,281
CURRENT RATIO	3.5	3.2	— .3

Prosperity of the farm population and the shift of urban population to rural areas have contributed to increased volume for the mail order division that has necessitated considerable expansion. Five plants have been enlarged and order offices have been added with the result that Sears now has eleven mail order plants, or distribution centers, and 479 order offices, an increase in the latter group of almost 300 in eleven years.

In order to appreciate the objectives of the management in extending its operations to Canada as well as to Central and South America, it is important



to understand the philosophy accounting for the decisions. One gains a clearer idea oof the aims of management by noting a couple of paragraphs from the 1951 annual statement commenting on progress achieved in providing better facilities for the public. The motivating force behind Sears' progress is well expressed in these words:

Effect of Excess-Profits Tax

"The physical properties of a modern distributing organization such as Sears do not consist of retail stores, mail order plants and order offices alone. Extensive warehouse space and equipment are required to handle the goods by manufacturers in carloads and truckloads but delivered to customers in single units. Efficient handling is extremely important since it is here that the dollars resulting from the sale of the merchandise may either be dissipated in the form of high operating expense or retained as net profit. Modern equipment is constantly being purchased to move goods more efficiently.

"The company now has satisfactory facilities for many years to come in a large number of communities. On the other hand, a progressive business never stops expanding. Old stores, warehouses and equipment become obsolete or wear out, and the new properties are almost invariably more extensive than those they replace. However, the management wishes to re-emphasize that because of existing governmental restrictions on commercial construction and because of inadequate return on investment under present federal taxation further broad expansion will be held in abeyance."

The restrictive influence of excess profits is illustrated by the fact that Sears paid in EPT about $20.4 million in 1951-52 and $23.5 million in the previous year, or approximately 87 cents and $1 a share, respectively. The sum of $43.9 million for the two years, it is observed by management, represented an amount that "could have built six of the larger "A" stores and nine medium-size "B" stores, giving employment to approximately 6,000 additional persons."

From these expressions of management it may be assumed that two principal motives inspired the negotiations which resulted in an agreement with Simpsons, Ltd. For one thing, Sears may have felt that the best way to take advantage of the rapidly growing Canadian market was to join forces with a company already well established and able to provide experience as well as equipment for the venture. In the second place, Messrs. Wood, Fowler B. McConnell (the president) and their associates may have felt that governmental restrictions in the Dominion provided less of a handicap than in the United States—especially from the tax angle.

The new affiliate, Simpson-Sears, Ltd., jointly owned by the American and Canadian parents, plans to spend about $50 million in the next five years for opening new retail stores and for expansion of the mail order business taken over from Simpson, Ltd. It is contemplated that about fifteen new outlets will be constructed in the current program and that ultimately the chain may double that figure.

The new company, incorporated in Canada, is to have outstanding $20 million 4 per cent debentures. Each parent company agreed to advance $20 million, of which half would represent payment for stock and half for debentures. Simpsons, Ltd. would hold 1 million shares of Class B shares and Sears would purchase an equal amount of Class C stock. In addition, the company would authorize 200,000 shares of Class A stock to be issued from time to time at not less than $10 a share to employees of any of the three companies or to be made available for purchase by employee profit-sharing, pension and other benefit funds.

Sears' Potential in Canada

Simpson-Sears, Ltd., was expected to begin business in January by taking over from the Canadian parent organization all lands, buildings, equipment, fixtures and working assets of the mail order, agency and order office business of Simpsons and its subsidiaries. The total price to be paid was estimated at about $48 million with some adjustments. Cash would be obtained from the parent companies subscriptions for debentures and stock as well as from financing of installment paper acquired among the mail order assets.

This development promises to give Sears a strong competitive advantage in Canada and pave the way for extensive growth over the next generation in line with Canadian ex- (*Please turn to page* 364)

Long Term Operating and Earnings Record

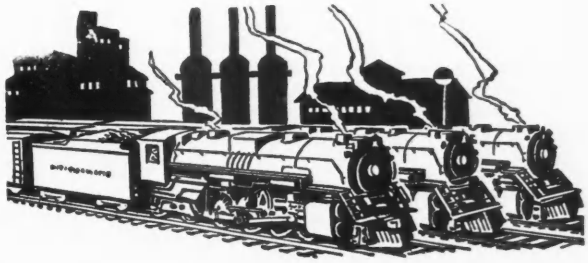
	Net Sales (Millions)	Operating Income (Millions)	Operating Margin %	Income Taxes (Millions)	Net Income (Millions)	Net Profit Margin %	Net Per Share	Div. Per Share	Percent Earned on Invested Capital	Price Range
1952 (24 weeks ended July 16)	$1,202.3	$ 94.7[1]	7.9%[2]	$ 54.6	$ 40.1	3.3%	$ 1.70	$ 2.75[3]	......	60½-50½[4]
1951*	2,657.4	297.7	11.2	160.1	111.8	4.2	4.73	2.75	15.1%	58 -51½
1950	2,556.3	332.4	13.0	160.0	143.6	5.6	6.08	2.75	20.7	55 -40
1949	2,168.9	194.2	8.9	70.0	108.2	4.9	4.58	2.25	17.6	44¼-33⅞
1948	2,295.9	250.6	10.9	91.5	137.2	5.9	5.80	2.25	24.5	43¼-31¾
1947	1,981.5	215.0	10.8	85.3	107.7	5.4	4.56	1.75	24.1	40¾-30⅛
1946	1,612.5	184.7	11.4	71.1	100.1	6.2	4.24	1.75	26.3	49⅝-35¼
1945	1,045.2	109.9	10.5	62.8	35.8	3.4	1.52	1.06	11.1	40 -24⅞
1944	988.7	110.0	11.1	69.3	34.1	3.5	1.46	1.06	11.0	26⅝-21
1943	852.5	94.2	11.0	53.5	33.8	3.9	1.44	1.06	11.4	22½-14½
1942	867.8	104.8	12.0	62.4	33.9	2.8	1.46	1.06	8.6	15½-10⅞
10 Year Average 1942-1951	$1,702.6	$189.3	11.0%	$ 88.6	$ 84.6	4.5%	$ 3.58	$ 1.77	17.0%	58 -10⅞

*—All fiscal annual periods ending Jan. 31st of the following year.
[1]—Net before taxes.
[2]—Pre-tax margin.
[3]—To Dec. 10, 1952.
[4]—To Dec. 3, 1952.

Gulf Mobile & Ohio

—In Expanding Phase

By ROGER CARLESON



The impact of the South's rapid industrial growth on the operating revenue and net earnings of roads serving the territory is sharply depicted by the gain of 153.7 per cent. in operatinve revenue of Gulf, Mobile & Ohio over the six years to the end of 1951, with net earnings moving up in unison.

The road, with its northern terminus at Chicago, extends through western Illinois, Tennessee, Alabama, and eastern Mississippi, branching out on the way down to touch Kansas City, terminating at the rapidly growing Gulf port city of New Orleans, and serving, among other points, the important industrial centers of St. Louis, Memphis, Birmingham, Montgomery and Mobile.

Of equal significance in the road's growth with the industrial expansion of the South, is its stronger position by reason of the broader classification of freight originating on and delivered to its lines. As in the past G. M. & O., continues to be a hauler of comparatively large tonnages of products of mines and forests, particularly bituminous coal and pulpwood. These products accounted for 40% of its revenue freight carloadings in 1951. The big change, in recent years, is in the higher revenue freight carloadings of products of manufacture and miscellaneous. This classification has grown from 33.2% in 1946 to 44.7% in 1951.

Within that period, operating revenues have expanded from \$38 million to a record 1951 total of \$88.6 million. This showing will be excelled in 1952. For the first 10 months of this year, operating revenues were reported at \$76.5 million, which was \$4.2 million more than those shown for the corresponding months of last year.

This delineation of the road's growth from the standpoint of operating revenues is only part of its recent history. The other part has to do with its high degree of operating efficiency resulting from its modernization program. This embodied improvements in auxilliary facilities, the purchase of new equipment, and the dieselization of motive power, the latter phase culminating in Gulf, Mobile & Ohio becoming 100% dieselized in 1949. And now, with its program almost completed, it continues to show gains in operating efficiency to such extent that in the first 10 months of this year, it was able to bring its transportation ratio down to 27.5%. This, incidentally, is one of the lowest ratios among any of the generally recognized low-cost carriers.

Increasing Net Earnings

This accomplishment, coupled with the steady year to year increase in revenue freight traffic, is sharply mirrored by net earnings mounting from \$1.4 million in 1946 to a record \$6.4 million in 1951. For the latter year, net was equal to \$5.49 a share for the common stock. Net income in that period amounted to \$6.6 million, compared with \$8 million in 1950, but which took in \$1.6 million in various income credits and brought per share earnings up to \$7.00.

With revenue traffic volume for the current year at new high levels, together with higher freight rates, both operating revenue and net earnings will be at a new high level in 1952. In the first 10 months the common stock earned \$5.76 a share, compared with \$3.10 a share for the corresponding period of 1951. Estimated full 1952 net for the common stock at \$7.00 a share appears reasonable, especially when it is remembered that the road's final three months are generally

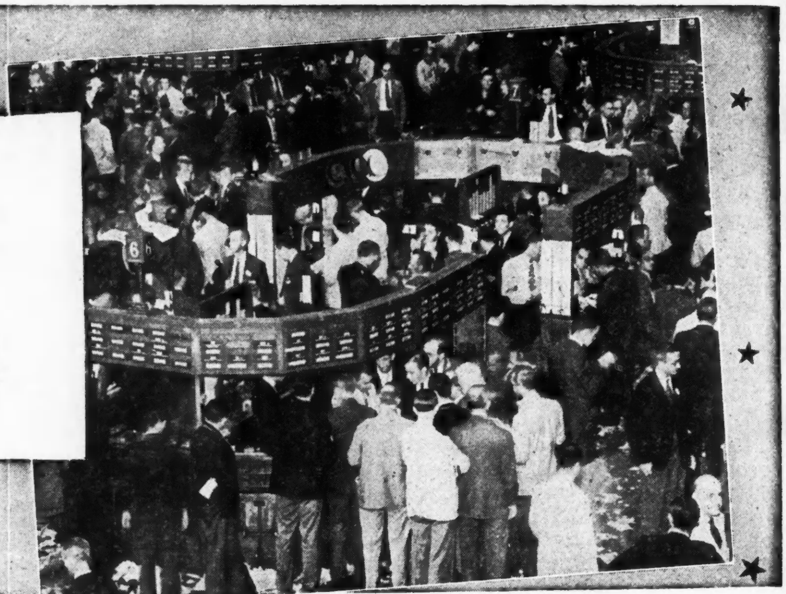
(*Turn to page* 364)

Pertinent Statistics of the Gulf, Mobile & Ohio R.R.

	(10 Months to October) 1952	1951	1950	1949	1948	1947	1946
Railway Operating Revenues (Millions)	\$ 76.5	\$ 88.6	\$ 78.4	\$ 73.0	\$ 81.0	\$ 60.4	\$ 34.9
Total Car Loadings (Thousands)	......	662	613	586	684	601	407
Transportation Ratio (%)	28.4	30.1	29.5	32.3	32.1	31.8	35.5
Operating Ratio (%)	69.5	71.8	70.3	76.2	73.7	75.0	82.0
Net Per Share (After Funds)	5.97[1]	5.49	7.00	2.62	4.92	1.39	.10
Dividends Per Share	2.00[2]	2.00	1.50	.50	.50	......	......
Price Range	37⅜-25[3]	33¼-21¼	24¾-12⅞	14-9⅛	20⅞-12½	14⅞-6⅛	30¼-9½

[1]—Before sinking funds. [2]—Total Indicated 1952 Payment. [3]—To Dec. 9, 1952.

FOR PROFIT AND INCOME



Precedent

Much more often than not the market has experienced some decline in the tax-selling period represented roughly by the second half of November and the forepart of December. Hence, the rise throughout this period of 1952 ignored precedent. There is even stronger precedent for a year-end rise, as measured from the December low of the industrial average to the high of the first-half of January. This has come through in 31 out of the last 32 years, and the one failure was by the margin of a small fraction of 1%. Barring some news shock, the chances are that the year-end rise will be figured from the December 4 minor-recession low of 281.63. Because of the prior rise, it likely will be of smaller scope than the average of 8.7% for 32 years through 1951. A year-end move of that percentage would put the Dow average to about 306. The biggest year-end gains have usually been seen in bear-market rallies or in early stages of bull markets. January as a whole has only a modestly favorable seasonal bias, having brought net gains for the industrial average in 33 years, declines in 23. The February record is approximately the reverse of this, with more declines than advances.

Percentage

Measured in points, the movements of bull markets are generally most spectacular in their late phases. However, profits (or losses) are most realistically measured in percentage. And the law of percentage works against you as a bull market ages. To illustrate, in about 19 months from the 1949 low to February, 1951, the industrial average rose roughly 58%; while in the subsequent 22 months to date the additional rise, although an impressive 30 points, has been only some 12%. What the potential of the present phase may be is impossible to say. Figured as a percentage extension of the prior high of last August, it is probably moderate; and more so if figured from the level as this is written. Thus, a further rise of 10%, against 76% already attained, would put the Dow average to about 315, and would cut the current yield of the issues included to about 5%. Logic argues that you should become more prudent and selective from here on, rather than less so.

Groups

Stock groups showing above-average strength at this writing include aircraft manufacturing, automobiles (auto accessories, chemicals, baking, containers, dairy products, food brands, electrical equipment, industrial machinery, natural gas, railroads, electric utilities, and tobaccos. Stocks of sugar producers continue to perform poorly. General-merchandising stocks (department stores, mail order and general-chains) show improving action.

Leadership

The qualitative leadership of the market is good. On the whole, investment-grade stocks are faring better than speculative stocks, which is why our weekly index of 100 high- priced stocks has risen roughly 40% more from its 1952 low to the present time than has

INCREASES SHOWN IN RECENT EARNINGS REPORTS

		1952	1951
Maytag Co.	Sept. 30 Quar.	$ .85	$ .33
U. S. Smelt., Ref. & Mining	9 months Sept. 30	3.11	1.92
Chrysler Corp.	9 months Sept. 30	6.86	5.76
Pittsburgh Plate Glass Co.	Sept. 30 Quar.	.98	.36
Caterpillar Tractor	10 months Oct. 31	4.61	2.86
United Aircraft Corp.	Sept. 30 Quar.	1.15	.59
Monarch Mach. Tool	Sept. 30 Quar.	.96	.45
Cleveland Elect. Illum.	Sept. 30 Quar.	.75	.67
Nash, Chatt. & St. Louis	9 mos. Sept. 30	12.62	8.18
Kansas City Sou. Rwy.	9 mos. Sept. 30	7.61	6.97

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ROSPECTS FOR EARLY 1953 MARKETS

- A realistic approach to new selectivity

By A. T. Miller

king in terms of the 1953 outlook for the issues they new opportunities in the making—will find this real- most helpful. It examines the various securities and groups more favorably situated to maintain earnings will be static, others headed for dividend casualties. ons regarding the influence the policies of the new ve on the security price trend and the selectivity in ors to influence 1953 prospects and the divergent which they are likely to be discounted in the market. is feature will also discuss the forces—technical and tion by the speculator—and the investor.

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- *Bolstering Economies Abroad*
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- ***Which Industries Wil Be Retarded — Remain Static Or Decline?***
- ***Which Industries Are Best Suited For Investment Income and Appreciation? — Dynamic Capital Growth?***

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—OILS	—CHEMICALS	—MACHINERY
—FOODS	—LIQUORS	—AVIATION
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the index of 100 low-priced stocks. A partial list of prominent stocks recently making new highs for 1952 or longer includes American Can, Atchison, Borg-Warner, Chrysler, Commonwealth Edison, du Pont, General Electric, General Mills, General Motors, Liggett & Myers, Pacific Lighting, Penney, Pittsburgh Plate Glass, Sears Roebuck, Sperry, United Aircraft, Westinghouse Electric and Woolworth.

Sheep and Goats

From the 1952 low to this writing our combined weekly index of 330 stocks has risen roughly 7%. Stock groups which have bettered that gain by a good margin include aircraft, autos, auto accessories, bus lines, chemicals, finance companies, food stores, household furnishings, liquor, machinery, meat packing, paper, public utilities, radio-TV, railroads, realty, shipbuilding, tires and tobacco. Gains more or less in line with that of the composite price index have been scored by air lines, amusements, communications, construction, containers, copper & brass, dairy products, food brands, gold mining, oils, steel and sulphur. Groups which have risen considerably less than average are agricultural imple- drugs and toilet articles, mail ments, baking, business machines, coal mining, department stores, order, railroad equipment, soft drinks, sugar, textiles and variety stores. Some of the latter are normally sluggish, rather than being particularly out of favor, including baking and variety stores.

High Yield

You will not often find a common stock with a high yield, below-average risk and possibility for at least moderate profit over a period of time. Such an issue is Helme (G. W.) Company, third biggest maker of snuff. It is an inactive, not widely known stock in a static industry; and, hence, is off the highways followed by institutional buyers, brokers and other pros in their search for attractive stocks. The Helme operating margin, a record 29% on sales in 1951, is excellent. Reflecting price increases, without which volume gains rarely exceed 2% a year, dollar sales are running about 70% over those of the prewar year 1939. In common with the industry, the company has been squeezed by high Federal taxes. Net was $1.80 a share in 1951, against $1.99 in 1950, $2.30 in 1949 and $2.47 in 1948. Illustrating how little general-business slumps affect snuff sales, net in the deep depression year 1932 was $2.90 a share, against $3.41 in 1929; and in the poor year 1938 it was $2.34 a share, against $2.40 in 1937. Dividends have been paid continuously since 1912. For many years they have ranged between $2.80 and the depressed $1.60 paid last year. The maximum in the postwar period was $2.80 in 1948 and 1949. The excess profits tax makes an important difference, having cost Helme close to 50 cents a share in 1951. Without it, earnings would at least match previous best postwar results; and the bulk of any tax-relief benefit would go to stockholders, for this is not an industry which has ever needed to retain more than a minor portion of earnings. In any event, Helme will net a little more for 1952 than 1951's $1.80 a share. It recently paid a 20-cent extra, making $1.80 for this year, against $1.60 in 1951. The stock is now at 23½, yielding 6.8% on the regular $1.60 rate, close to 7.7% on the basis of total 1952 payment of $1.80, which probably will be at least equalled in 1953, and 8.6%, if, say, 80% of the benefit of likely EPT relief were passed along to shareholders. The latter, restoring 1948-1949 dividends, would appear a minimum expectation, given termination of EPT. Finances are not only strong and liquid in an absolute sense. Relative to sales and inventories, they are stronger than of the company's two larger competitors, U. S. Tobacco and American Snuff. The postwar highs of this stock (1950 and 1946) have ranged from about 44% to 53% above the present level. On the other hand, the lowest bear-market lows (18 in 1942 and 20 in 1932) were only 14% to 23% under the present level.

Western Auto Supply

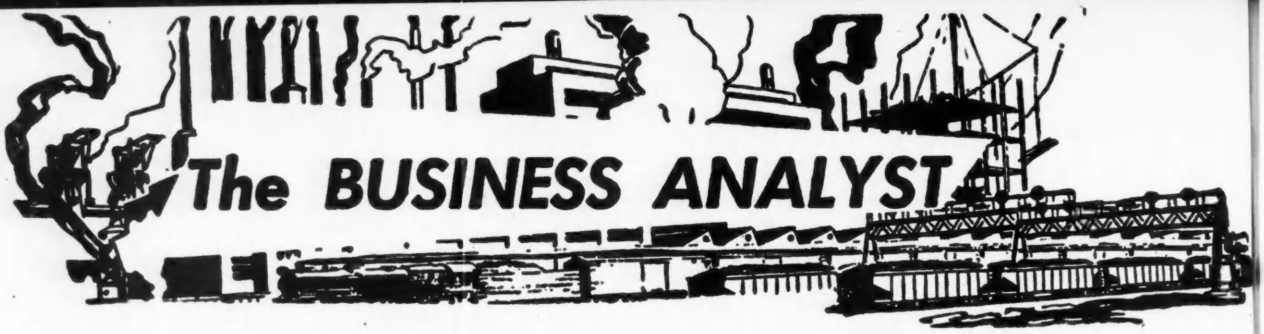
Due to competitive conditions, improvement in profits of retailing companies can only be moderate. Even so, it is now on the positive side, after a share profit slump in the second half of 1951 and the first half of this year. New 1952 market highs have recently been attained by such assorted issues as Allied Stores, Federated Department Stores, Grant, Kroger, Mercantile Stores, Penney, Sears, Woolworth and Western Auto Supply. The last-named, not widely-known, company invites brief comment. It operates a chain of 271 stores retailing auto accessories, household appliances of all types, tools, toys, sport goods, garden supplies, hardware, etc. Sales were a record $160.1 million in 1951 and will better that this year. With margins pared, full-year net will be moderately under 1951's $7.43 a share, despite recent sharp improvement. On a regular $3 annual basis, dividends, with the year-end extra, total $3.75, against $4 in 1951. Payments have been continuous, and fairly conservative in relation to earnings, since 1928. The stock is currently at 54, for a current yield of close to 7% on 1952 dividends.

Paper Stocks

Most paper stocks are at new bull-market highs, following a protracted reaction from their 1951 highs. Inventories of customers throughout the trade were over-expanded in the post-Korea buying surges of late 1950 and early 1951; and correction, apparently completed in recent months, took a long time. Paper-company earnings are now making favorable year-to-year comparisons.

DECREASES SHOWN IN RECENT EARNINGS REPORTS

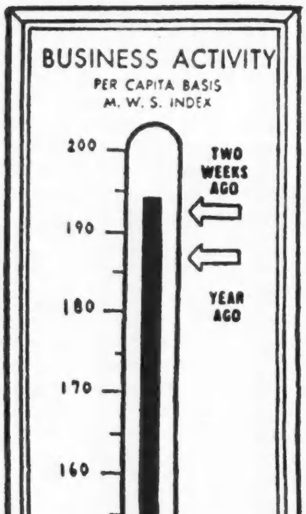
		1952	1951
Motorola, Inc.	Sept. 30 Quar.	$ .49	$ .81
Pure Oil Co.	9 months Sept. 30	4.56	5.70
Aluminium, Ltd.	9 months Sept. 30	1.94	3.31
Duplan Corp.	Year Sept. 30	.02	1.05
Briggs Mfg. Co.	9 months Sept. 30	2.72	4.52
General Time Corp.	16 weeks Oct. 4	.81	1.43
Doehler-Jarvis Corp.	Sept. 30 Quar.	.67	1.32
Schenley Industries	Year Aug. 31	2.76	5.10
Eastern Air Lines	9 months Sept. 30	.74	1.62
Consolidated Textile Co.	Year Aug. 31	.47	1.50



What's Ahead for Business?

By E. K. A.

The elimination of government controls over our economic life, already under way, will be speeded in 1953 barring, of course, no fresh heightening of international tension. While business men do not like controls, many of them are beginning to question the wisdom of too rapid relaxation in a period when the potentialities of boom and bust are so great.



An important case in point is the elimination of Federal Reserve Board Regulation W, which had imposed controls over consumer credit, varying according to the determinations of the Board. Buying on credit is essentially borrowing on future income and future purchasing power. The outstanding volume of consumer credit has risen since the end of Regulation W to well over $22 billion and still is rising. Although most conservative merchants resisted for a time the policy of "no money down and months to pay," many of them have been forced to succumb in order to meet competition.

A large part of the new and used automobile business is financed on credit. Substantial down payments continue on new cars, although smaller than under Regulation W, but are tending to shrink on used cars. It is no secret in the trade that many car buyers borrow the down payment from one lending institution, under the pretext of paying doctor's bills, etc., while the balance is financed through another loan agency. The same condition undoubtedly prevails in other consumer durables.

The situation has reached the point where the Federal Reserve Board is raising its eyebrows and giving consideration to asking Congress for fresh powers over consumer credit unless the rise in the outstanding volume comes to a halt soon. A slowdown in the rise of consumer credit, whether voluntary or forced, has about the same implications from the standpoint of business since a substantial part of retail trade — unsatisfactory though it may be in some directions — is only being done by borrowing on future wages and salaries. With national income at the highest levels in history, consumers are not able to purchase all the goods being produced without unduly mortgaging their future income.

Residential construction, since the end of FRB Regulation X, has spurted to levels far above those forecast early in 1952. A year ago, housing authorities were talking in terms of new housing starts of as low as 600 thousand units for 1952 as compared with 1.1 million in 1951, which was the second highest year in history. Now, it appears that total 1952 starts were practically the same as in 1951, and only a slight decline is being forecast for 1953.

We are past the normal peak on the building cycle and are construction homes now that normally would not be built for years to come. There has been a revolution in home financing and the present situation therefor is not strictly comparable with previous building booms, but there still is no doubt that we are hastening the end of the boom and building up trouble for ourselves.

Decontrol of rents, scheduled within a few months, will have numerous repercussions. The amount of stimulation that it will furnish to new rental construction is problematical, in view of the tremendous amount of such construction during the past few years and the difficulty now existing in obtaining full occupancy at the high rentals necessitated by inflated building costs.

Tenants in rent-controlled dwellings, in many instances, are on a low rent-income ratio and have been able to finance their high levels of consumer goods purchases for this reason.

The end of price controls will result in no fresh round of commodity price increases, except perhaps in a few instances. Price ceilings have become increasingly meaningless in recent months, and the majority of materials and goods — whether already decontrolled or not — are selling below their highest OPS ceilings. The price trend is downward throughout the world and supplies of all kinds are becoming too plentiful to permit a resumption of the inflationary spiral.

When it is considered that the wholesale commodity price index declined almost steadily throughout 1952 — despite high and rising defense expenditures, an all-time high level of peacetime industrial activity, and record high income — there does not appear to be reason for thinking that another wave of inflation is in prospect.

The Business Analyst

HIGHLIGHTS

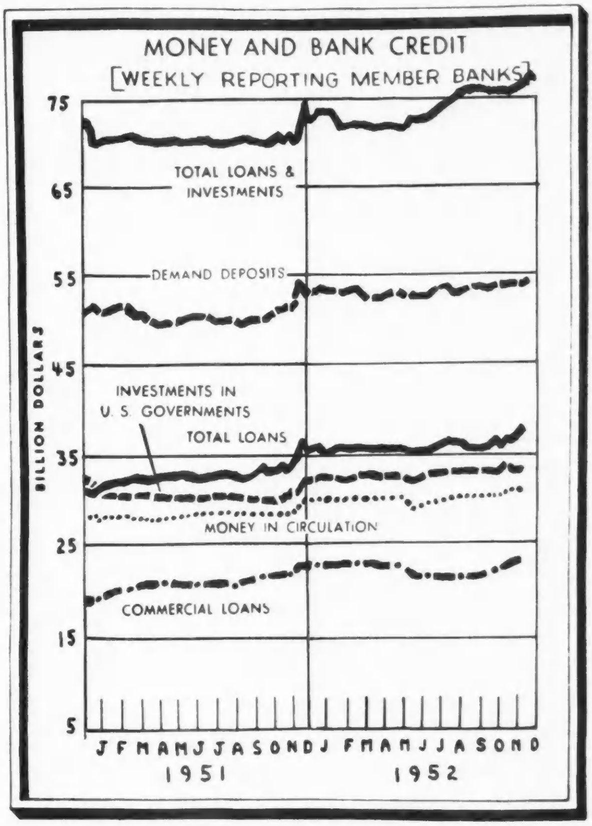
MONEY & CREDIT—The picture of government spending for this fiscal year is beginning to take on a more satisfactory appearance with expenditures failing to expand as fast as had been expected. In fact, defense spending is lower now than in July and recent announcements of further stretch-outs of delivery dates makes it doubtful that any important rise in expenditures will be seen next year. As a result, predictions now are that the deficit will be under $6 billion when June 30, 1953 rolls around, quite a cut from official views this summer that the Treasury would be over $10 billion in the red for fiscal 1953. From the viewpoint of inflationary effects, the outlook is even better as the cash deficit should not be much above $1 billion. Since July 1 of this year the Treasury has spent over $9 billion more than it has taken in. However the first half of 1953 will be a period of heavy tax receipts and Treasury income should exceed outgo by some $3.5 billion in that period. With inflationary pressures well in hand at present it appears that Government financial activity will make for further easing of such pressures in the next six months.

In the private sector of the economy expansion of bank loans continues space with total loans of reporting member banks on December 3 up $2.5 billion from end of June figures. Pre-Christmas demand for funds has produced an extremely tight money market and the Federal Reserve System has come to the rescue in a big way by buying $672 million of government obligations in the four weeks ending December 10. In addition, member banks have increased their borrowings from the Federal to $1.76 billion, the highest since 1921. With the total of uncollected checks rising by $324 million the total credit expansion by the Central Bank is close to $1.2 billion in a four week period. This credit rise has enabled the banks to make necessary loans and to absorb investment securities offered on the market by those in need of funds. Despite these measures the short-term money market is tighter than ever. The latest offering of Treasury 91-day bills on December 15 cost it 2.138% on a yearly basis, a nineteen year record. It would appear, however, that the money stringency will not last much longer. Seasonal factors cause a return flow of currency to the banks after the turn of the year and loans too should fall appreciably. These factors could make for a progressive easing of short-term money rates early in 1953, though the longer term prospects are still uncertain.

TRADE—Department stores are witnessing the usual holiday buying rush this month and sales for the week ending December 6 were 40% above the previous week which was artificially depressed by Thanksgiving holiday closings. Compared with a year ago the latest week's gain is only 1%. The New York area continues to make the worst showing with a 6% decline from last year while the best results were registered by the Atlanta and Dallas districts which topped the corresponding week in 1951 by 7%.

For the week ending Wednesday, December 10, retail trade in general was able to better year-ago results by some 3% according to estimates of Dun & Bradstreet. Gift items were in heavier demand than last year as were many household goods.

INDUSTRY—Industrial output continues to score gains and the



MWS Business Activity Index stood at 194.4 for the week ending December 6 against 193.0 two weeks earlier. Changes in output were small for most major industrial lines but electric power output of 8,165 million kilowatts for the week was at a new all-time high as the result of secular growth coupled with increased seasonal demands. The latest week's output of electricity was 9.7% above that of the corresponding 1951 week.

COMMODITIES—Commodity prices are not responding at all to the rise in business. In fact, in the week ending December 9, average primary market prices as measured by the Bureau of Labor Statistics index, fell to a new low for the year at 109.6% of the 1947-1949 average, a drop of 0.4% from the previous week and 3.5% under a year ago. Farm products were quite weak with a 2.5% drop resulting from lower prices for cattle, lambs, live poultry, cotton, eggs and some fresh fruits and vegetables. Processed foods had a nominal decline of 0.1% in the latest week. The index of all commodities other than farm products and foods was unchanged with considerable declines in burlap and hides counterbalanced by a substantial rise in the price of crude rubber.

(Please turn to the following page

Essential Statistics

	Date	Latest Wk. or Month	Previous Wk. or Month	Year Ago	Pre-Pearl Harbor*
MILITARY EXPENDITURES—$b (e)	Nov.	3.6	4.1	3.3	1.55
Cumulative from mid-1940	Nov.	479.6	476.0	431.3	13.8
FEDERAL GROSS DEBT—$b	Dec. 10	267.2	267.2	259.3	55.2
MONEY SUPPLY—$b					
Demand Deposits—94 Centers	Dec. 3	54.4	54.0	53.2	26.1
Currency in Circulation	Dec. 10	30.4	30.3	29.0	10.7
BANK DEBITS					
New York City—$b	Dec. 3	12.6	12.7	12.4	4.26
93 Other Centers—$b	Dec. 3	15.8	16.8	16.6	7.60
PERSONAL INCOMES—$b (cd2)	Oct.	275.8	273.8	261.7	102
Salaries and Wages	Oct.	184	182	171	66
Proprietors' Incomes	Oct.	54	53	53	23
Interest and Dividends	Oct.	21	21	21	10
Transfer Payments	Oct.	13	13	13	3
(INCOME FROM AGRICULTURE)	Oct.	21	21	23	10
POPULATION—m (e) (cb)	Nov.	157.9	157.7	155.2	133.8
Non-Institutional, Age 14 & Over	Nov.	110.2	110.1	109.1	101.8
Civilian Labor Force	Nov.	63.6	63.1	63.2	55.6
unemployed	Nov.	1.4	1.3	1.8	3.8
Employed	Nov.	62.2	61.9	61.3	51.8
In Agriculture	Nov.	6.8	7.3	7.0	8.0
Non-Farm	Nov.	55.5	54.6	54.3	43.2
At Work	Nov.	60.5	59.9	59.5	43.8
Weekly Hours	Nov.	42.4	42.5	41.7	42.0
Man-Hours Weekly—b	Nov.	2.57	2.48	2.48	1.82
EMPLOYEES, Non-Farm—m (lb)	Sept.	47.6	47.1	47.0	37.5
Government	Sept.	6.7	6.6	6.5	4.8
Factory	Sept.	13.2	12.9	13.1	11.7
Weekly Hours	Sept.	41.1	40.6	40.6	40.4
Hourly Wage (cents)	Sept.	169.3	167.0	161.3	77.3
Weekly Wage ($)	Sept.	69.58	67.80	65.49	21.33
PRICES—Wholesale (lb2)	Dec. 9	109.6	110.0	113.5	66.9
Retail (cd)	Sept.	211.1	211.8	207.4	116.2
COST OF LIVING (lb3)	Oct.	190.9	190.8	187.4	100.2
Food	Oct.	232.4	233.2	229.2	113.1
Clothing	Oct.	202.1	202.3	208.9	113.8
Rent	Oct.	143.0	142.4	138.2	107.8
RETAIL TRADE—$b**					
Retail Store Sales (cd)	Oct.	14.4	13.8	13.2	4.7
Durable Goods	Oct.	5.0	4.6	4.4	1.1
Non-Durable Goods	Oct.	9.4	9.2	8.8	3.6
Dep't Store Sales (mrb)	Oct.	0.87	0.80	0.83	0.34
Retail Sales Credit, End Mo. (rb2)	Oct.	12.7	12.2	11.1	5.5
MANUFACTURERS'					
New Orders—$b (cd) Total**	Oct.	25.1	24.5	24.3	14.6
Durable Goods	Oct.	12.6	12.2	12.6	7.1
Non-Durable Goods	Oct.	12.5	12.2	11.7	7.5
Shipments—$b (cd)—Total**	Oct.	24.5	23.7	22.7	8.3
Durable Goods	Oct.	11.9	11.5	10.8	4.1
Non-Durable Goods	Oct.	12.6	12.2	12.0	4.2
BUSINESS INVENTORIES, End Mo.**					
Total—$b (cd)	Oct.	73.9	73.4	73.7	28.6
Manufacturers'	Oct.	43.3	43.2	42.4	16.4
Wholesalers'	Oct.	10.1	9.9	10.4	4.1
Retailers'	Oct.	20.5	20.3	20.8	8.1
Dept. Store Stocks (mrb)	Oct.	2.4	2.4	2.4	1.1
BUSINESS ACTIVITY—1—pc	Dec. 6	194.4	194.5	187.6	141.8
(M. W. S.)—1—np	Dec. 6	234.9	235.1	218.8	146.5

PRESENT POSITION AND OUTLOOK

(Continued from Page 359)

Expenditures for **NEW CONSTRUCTION** totalled $2,799 million in November, down 7% from outlays for the previous month, according to Commerce Department estimates. The drop was due to seasonal factors, with all classes of construction activity except commercial building sharing in the downward movement. Private construction at $1,917 million was only 3.6% below October outlays and scored a 5.4% gain over November 1951. In the private building sector the best gain over a year ago was registered by residential building with an 11.1%rise. In the private non-residential field, commercial building was 2.9% above October and 11.5% ahead of last year. Railroad construction was down 9.8% from a year ago while public utilities spent the same amount as last year for construction. Public construction dropped relatively more than private building in November with a 13.8% dip from October. Primarily responsible was a $100 million decline in spending for highway work. Nevertheless ,the total dollar outlay for new public construction during November was still 9.0% above that of the corresponding 1951 month.

* * *

SHIPMENTS OF PASSENGER TIRE CASINGS by manufacturers declined 5.8% in October to 6,277,017 casings from 6,665,655 in September, the Rubber Manufacturers Association has reported. **PRODUCTION** of passenger casings rose by 16.0% in October to 7,185,388 but was 8.2% below output in October of last year. With October shipments below output, **INVENTORIES** in the hands of manufacturers were 13.0% higher and stood at 8,243,888 casings on October 31. A year ago there were only 4,315,374 casings in stock.

* * *

Sales of the **GAS UTILITY INDUSTRY** to ultimate consumers during October aggregated 3,962 million therms, an increase of 14.2% over sales of 3,471 million therms in the corresponding 1951 month, according to data of the American Gas Association. For the twelve months ending October 31, 1952, sales came to 51,097 million therms which was 8.5% higher than last year. The sales increase is attributable to the constantly growing number of new gas customers and to increased consumption by ultimate consumers. The continued shift from use of manufactured gas to natural gas can be seen from the Association's Index of gas sales which shows that sales of natural gas in October stood at 376.6% of the 1935-1939 average while consumption of manufactured gas was only 54.3%

and Trends

	Date	Latest Wk. or Month	Previous Wk. or Month	Year Ago	Pre-Pearl Harbor*
INDUSTRIAL PROD.—1 np (rb)**	Oct.	227	226	218	174
Mining	Oct.	165	175	174	133
Durable Goods Mfr.	Oct.	294	287	274	220
Non-Durable Goods Mfr.	Oct.	193	194	188	151
CARLOADINGS—t—Total	Dec. 6	719	670	774	833
Misc. Freight	Dec. 6	365	336	388	379
Mdse. L. C. L.	Dec. 6	72	62	72	156
Grain	Dec. 6	44	39	54	43
ELEC. POWER Output (Kw.H.) m	Dec. 6	8,165	7,701	7,444	3,267
SOFT COAL, Prod. (st) m	Dec. 6	10.1	9.0	11.3	10.8
Cumulative from Jan. 1	Dec. 6	432.5	422.4	501.7	44.6
Stocks, End Mo.	Oct.	78.0	83.3	78.0	61.8
PETROLEUM—(bbls.) m					
Crude Output, Daily	Dec. 6	6.5	6.7	6.2	4.1
Gasoline Stocks	Dec. 6	129	127	124	86
Fuel Oil Stocks	Dec. 6	51	49	47	94
Heating Oil Stocks	Dec. 6	114	118	101	55
LUMBER, Prod.—(bd. ft.) m	Dec. 6	613	539	564	632
Stocks, End Mo. (bd. ft.) b	Oct.	8.5	8.5	8.0	12.6
STEEL INGOT PROD. (st) m	Nov.	9.4	9.8	8.8	7.0
Cumulative from Jan. 1	Nov.	83.4	74.0	96.6	74.7
ENGINEERING CONSTRUCTION AWARDS—$m (en)	Dec. 11	241	344	193	94
Cumulative from Jan. 1	Dec. 11	15,367	15,126	13,293	5,692
MISCELLANEOUS					
Paperboard, New Orders (st)t	Dec. 6	340	189	166	165
Cigarettes, Domestic Sales—b	Oct.	37	35	38	17
Do., Cigars—m	Oct.	625	527	591	543
Do., Manufactured Tobacco (lbs.)m	Oct.	21	19	14	28

PRESENT POSITION AND OUTLOOK

of what it had been in the 1935-1939 period.

* * *

CASH DIVIDEND PAYMENTS by corporations issuing public reports amounted to $240 million in November, up 2% from the $243 million paid out in the same month of last year, the Commerce Department has announced. With nearly three-fourths of December dividends already reported, preliminary tabulations indicate that December dividends will approximate the total of December 1951. In that event total dividends for the whole year of 1952 will show a rise of close to 3% over last year. For the first eleven months of 1952, cash dividends aggregated $6,535 million. In manufacturing where dividends were 2% higher than in the same period of last year, oil refining company disbursements had the biggest gain, one of 16%. Transportation equipment firms increased their payments by 13% while the machinery industry disbursed 8% more than last year.

* * *

Production of **PORTLAND CEMENT** in October ottalled 24,181,000 barrels, a 6% increase over the corresponding 1951 month, the Bureau of Mines has reported. Mill **SHIPMENTS** for the month came to 27,322,000 barrels which was a 4% increase from a year ago. **INVENTORIES** on October 31 stood at 6,543,000 barrels,

b—Billions. cb—Census Bureau. cd—Commerce Dept. cd2—Commerce Dept., seasonally adjusted monthly totals at annual rate, before taxes. cdlb—Commerce Dept. (1935-9—100), using Labor Bureau and other data. e—Estimated. en—Engineering News-Record. l—Seasonally adjusted index (1935-9—100). lb—Labor Bureau. lb2—Labor Bureau (1947-9—100). lb3—Labor Bureau (1935-9—100). lt—Long tons. m—Millions. mpt—At mills, publishers and in transit. mrb—Magazine of Wall Street, using Federal Reserve Board Data. np—Without compensation for population growth. pc—Per capita basis. rb—Federal Reserve Board. rb2—Federal Reserve Board, instalment sale credit and charge accounts. st—Short tons. t—Thousands. *—1941; November, or week ended December 6. **—Seasonally adjusted.

THE MAGAZINE OF WALL STREET COMMON STOCK INDEXES

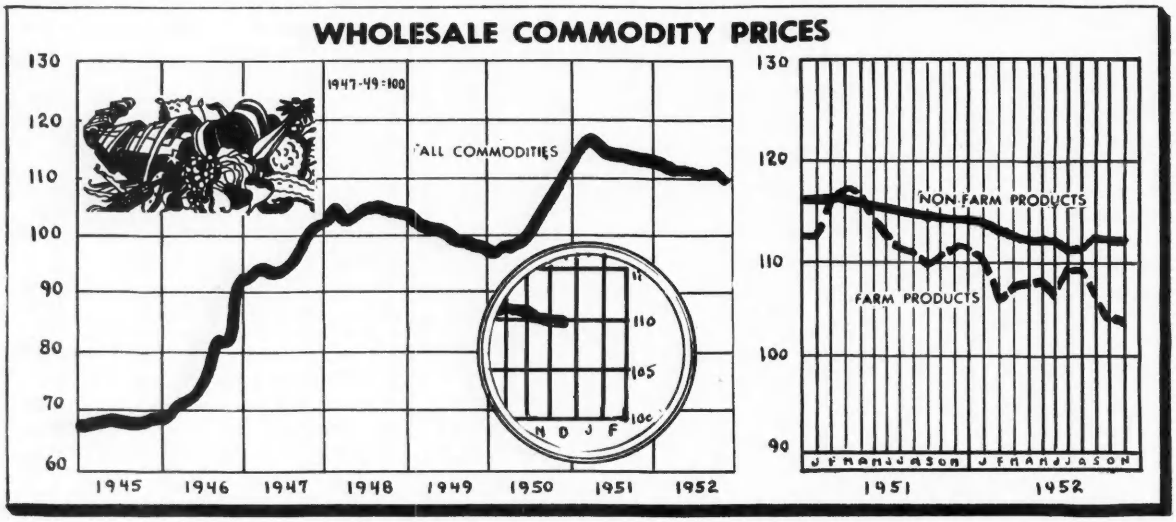
No. of Issues (1925 Cl.—100)	1952 Indexes High	1952 Indexes Low	1952 Dec 5	1952 Dec 12
330 COMBINED AVERAGE	204.9	190.7	203.3	204.9A
4 Agricultural Implements	295.8	243.6	252.6	252.6
10 Aircraft ('27 Cl.—100)	352.2	278.2	349.3	352.2A
7 Air Lines ('34 Cl.—100)	777.8	601.1	640.6	656.4
8 Amusement	102.7	77.1	81.9	85.8
10 Automobile Accessories	265.5	232.0	260.7	265.5A
11 Automobiles	46.6	40.2	45.8	46.6A
3 Baking ('26 Cl.—100)	24.0	20.8	23.8	23.5
3 Business Machines	398.3	358.5	362.5	378.4
2 Bus Lines ('26 Cl.—100)	182.2	141.6	176.2	170.2
6 Chemicals	418.0	356.4	380.7	392.9
3 Coal Mining	16.0	12.9	13.6	13.5
4 Communications	68.3	61.7	66.3	65.0
9 Construction	72.3	64.8	68.2	68.2
7 Containers	490.6	442.8	476.1	480.9
9 Copper & Brass	169.5	138.8	153.3	153.3
2 Dairy Products	92.1	93.2	92.1	92.1
5 Department Stores	66.0	58.8	61.4	61.4
6 Drugs & Toilet Articles	233.1	205.9	217.2	219.5
2 Finance Companies	413.2	308.1	410.0	410.0
7 Food Brands	190.9	171.5	187.4	190.9A
2 Food Stores	116.7	97.4	115.7	116.7A
3 Furnishings	75.4	59.3	74.8	74.2
4 Gold Mining	736.4	629.4	679.8	667.2

(Nov. 14, 1936, Cl.—100)	High	Low	1952 Dec 5	1952 Dec 12
100 HIGH PRICED STOCKS	130.8	119.2	129.1	130.8A
100 LOW PRICED STOCKS	241.5	225.2	237.6	239.1
5 Investment Trusts	109.8	97.9	108.8	109.8
3 Liquor ('27 Cl.—100)	1146.9	843.0	932.9	910.4
11 Machinery	231.2	197.9	225.0	231.2A
3 Mail Order	130.6	113.8	121.5	121.5
3 Meat Packing	100.2	75.7	90.3	92.2
13 Metals, Miscellaneous	307.4	237.8	249.4	249.4
4 Paper	447.8	395.3	443.7	447.8A
29 Petroleum	485.1	420.1	446.1	446.1
30 Public Utilities	188.5	162.5	186.9	188.5A
9 Radio & TV ('27 Cl.—100)	37.0	31.1	37.0	37.0
8 Railroad Equipment	64.3	56.1	59.9	60.5
24 Railroads	50.6	41.3	49.8	50.6A
3 Realty	48.5	38.2	48.1	46.2
3 Shipbuilding	230.5	181.0	228.8	230.5A
3 Soft Drinks	330.5	301.2	307.5	323.3
14 Steel & Iron	154.8	130.8	141.3	141.3
3 Sugar	73.1	58.9	60.4	61.1
2 Sulphur	616.3	530.4	579.6	585.1
5 Textiles	197.4	148.5	154.4	152.4
3 Tires & Rubber	81.7	66.9	80.3	80.3
6 Tobacco	92.3	78.6	91.5	92.3A
2 Variety Stores	319.6	294.8	304.1	313.4
18 Unclassified ('49 Cl.—100)	119.7	112.7	117.4	119.7

A—New High for 1952.

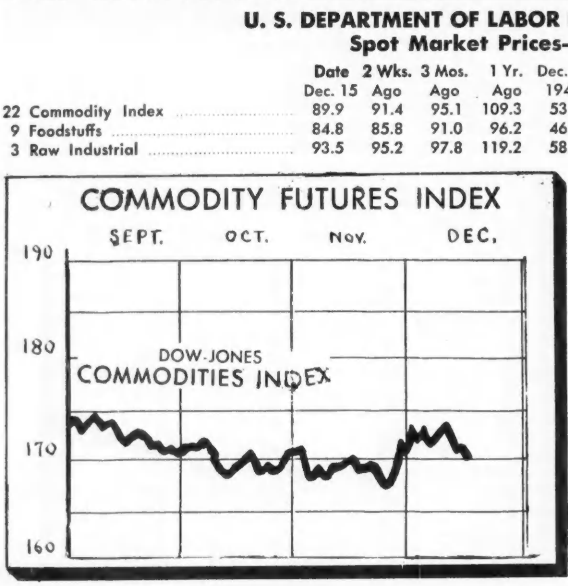
Trend of Commodities

Commodity futures have been backward in the two weeks ending December 15 and the Dow-Jones Commodity Futures Index fell 2.62 points to close at 169.93. Of nineteen commodities in which there is futures trading eleven showed a loss for the period, five were up and three closed mixed. Wheat, corn, oats, rye, lard, soybeans, cotton, hides. World sugar, coffee and cottonseed oil were lower while cocoa, wool, rubber, lead and zinc finished with gains. May wheat closed at 240¾ on December 15, a 4¾ cent loss in two weeks time and down 8⅝ cents from the season's high which was reached on November 12. Depressing influences included very slow export sales, an increase of only 22 million bales in the amount of wheat under government loan for the month ending November 15 and some sales of government owned wheat which cut into export demand. However, the government support program remains as a longer term supporting influence. May corn lost 3 cents during the fortnight ending December 15. Here, too, sales of corn owned by the Commodity Credit Corporation have added to supply. The Corporation is understood to own substantial amounts of 1948 crop corn and may have to continue selling this grain which is in danger of spoilage. The visible supply of corn stands at 58,945,000 bushels and this compares with 43,757,000 bushels a year ago. July cotton closed at 34.90 on December 15, a loss of 128 points during the period under review. The Crop Reporting Board of the Department of Agriculture has estimated the probable production for the year at 15,038,000 bales, a rise of 1,149,000 bales from its forecast of last September. Farmers have taken advantage of high cotton prices in past months to sell their holdings and this cotton is not eligible for the support program.



U. S. DEPARTMENT OF LABOR INDEX OF 22 BASIC COMMODITIES
Spot Market Prices—1947-1949, equals 100

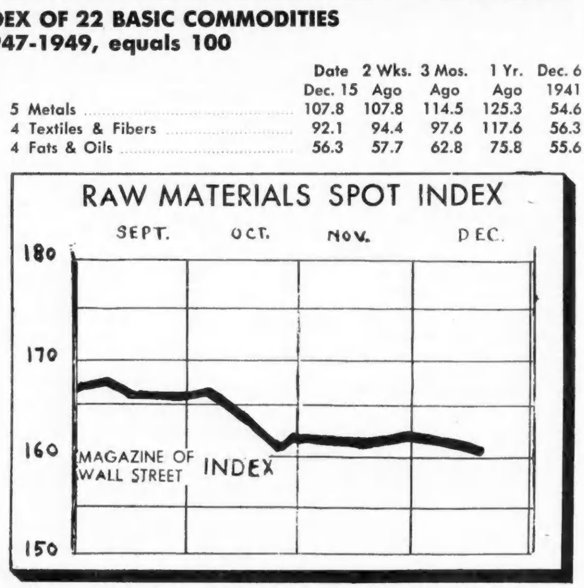
	Date Dec. 15	2 Wks. Ago	3 Mos. Ago	1 Yr. Ago	Dec. 6 1941
22 Commodity Index	89.9	91.4	95.1	109.3	53.0
9 Foodstuffs	84.8	85.8	91.0	96.2	46.1
3 Raw Industrial	93.5	95.2	97.8	119.2	58.3
5 Metals	107.8	107.8	114.5	125.3	54.6
4 Textiles & Fibers	92.1	94.4	97.6	117.6	56.3
4 Fats & Oils	56.3	57.7	62.8	75.8	55.6



14 Raw Materials, 1923-25 Average equals 100

Aug. 26, 1939—63.0 Dec. 6, 1941—85.0

	1952	1951	1950	1945	1941	1939	1938	1937
High	181.2	214.5	204.7	95.8	74.3	78.3	65.8	93.8
Low	168.3	174.8	134.2	83.6	58.7	61.6	57.5	64.7



Average 1924-26 equals 100

	1952	1951	1950	1945	1941	1939	1938	1937
High	192.5	215.4	202.8	111.7	88.9	67.9	57.7	86.6
Low	161.2	176.4	140.8	98.6	58.2	48.9	47.3	54.[illegible]

Answers to Inquiries

The Personal Service Department of THE MAGAZINE OF WALL STREET *will* answer by mail or telegram, a reasonable number of inquiries on any listed securities in which you may be interested or on the standing and reliability of your broker. This service in conjunction with your subscription should represent thousands of dollars in value to you. It is subject only to the following conditions:

1. **Give all necessary facts, but be brief.**
2. **Confine your requests to *three listed securities* at reasonable intervals.**
3. **No inquiry will be answered which does not enclose *stamped, self-addressed envelope.***
4. **No inquiry will be answered which is mailed in our postpaid reply envelope.**
5. **Special rates upon request for those requiring additional service.**

Pacifiic Lighting Corporation

"I understand that Pacific Lighting Corporation is the largest natural gas distributor; as you have stated that the natural gas industry is a growth industry, will you please furnish recent operating revenues and also whether you expect the present $3.00 annual dividend rate to be maintained."

C. E, Springfield, Illinois

Pacific Lighting Corporation for the twelve months ended September 30, 1952 showed earnings of $4.32 per common share compared with $3.90 per share on the average number of common shares outstanding for the twelve months ended September 30, 1951.

Gross operating revenues for the twelve months ended September 30, 1952 were $133,744,185, an increase of $11,741,739 or 9.6% over the previous twelve months period. The cubic foot sales to domestic and commercial customers were up 22%, and the revenue from these customers was up 20%. These greater demands were largely due to the colder than average weather for the 1951-52 winter.

Operating expenses totaled $85,466,710, an increase of more than $5,300,000 or 6.7% over the previous twelve months period. Higher wages and the increased cost of gas were the principal causes for higher expenses.

The Corporation's two utility subsidiaries, Southern California Gas Co. and Southern Counties Gas Co., have been granted rate increases in three separate cases decided by the California State Public Utilities Commission.

In one case, Southern California Gas Co. was granted a general rate increase of $7.2 million. The action made permanent a $4,890,000 interim rate increase granted last April and very recently the California State Public Utilities Utilities Commission approved an additional $2,311,000.

In the other cases, both Southern California Gas Co. and Southern Counties Gas Co. had asked for an increase to offset an expected increase by El Paso Natural Gas Co., their supplier of Texas gas. The Commission approved a $6 million increase for the two to offset these costs.

On October 28th, the Southern California Gas Co. and Southern Counties Gas Co. awarded contracts for the construction of concrete work on two booster stations in connection with $5,000,000 expansion of jointly owned California section of Texas pipeline. Construction is part of large pipeline program approved last July by the Federal Power Commission to bring an additional 300 million cubic feet of natural gas daily into California.

Consecutive dividends have been paid since 1909 and the present $3.00 annual dividend rate is expected to be maintained.

American Locomotive Company

"Please report backlog of American Locomotive Company including civilian products and also would like to know the company's earnings for the first nine months of the current year."

H. B., Worcester, Mass.

Net profit of American Locomotive Company for the nine months ended September 30, 1952 amounted to $5,413,000 equivalent to $2.45 per common share after preferred dividend payments. This compares with $4,286,000 or $1.82 per common share, for the first nine months of 1951. While 1952 nine months earnings showed an improvement over the comparable 1951 period, third quarter net profit declined to $1,581,000 or 69 cents per common share from $1,772,000 or 80 cents per common share in the third quarter of last year. Earnings for the third quarter were adversely affected by shut-downs at the Schenectady and Auburn plants due to material shortages resulting from the steel strike.

Shipments for the first nine months of 1952 were more than double those of the same period of 1951 due primarily to increased volume of defense work. Limited profit margins on defense work and higher income taxes combined to hold the increase in the amount of net profit to 25% above 1951.

The backlog of $972 million at September 30 1952 consisted of orders for regular products of $72 million and defense orders at $900 million, principally combat tanks comprising both M-47 and the latest type medium tank T-48. Since the beginning of the year orders have been received for $106 million of regular products and $170 million of defense products.

The company recently negotiated an engineering contract under which it became Vehicle Design Agency for the M-47 tank. This should permit faster tank output through closer control of design responsibility.

Production scheduled for the last quarter originally called for an increase over the rate of production in the first three quarters of this year. However, work stoppages will interfere with this rate of production. With the resumption of work, operations will be accelerated.

The Great Mail Order Combination of Sears Roebuck and Simpson

(*Continued from page* 354)

pansion. The move is typical of the decisions which enabled Sears to set the pace in chain store merchandising in the late 1920's and to seize the opportunity of cashing in on significant population shifts induced by the war. The affiliation with Simpsons, Ltd., is another indication of the far-seeing management policies that have marked this company's progress for the past generation.

In appraising the prospects for Sears, it is well to take into account two basic policies which have characterized operations and which have contributed importantly to the company's successful accomplishments in merchandising. The first of these is the emphasis on Sears' own branded lines, many of which are manufactured either in company controlled plants or by others to specifications established by Sears. This policy permits large-scale purchases at costs well below those available to most distributors. The second distinguishing policy is found in distribution, where decentralized management has been put into effect. It has been observed by experts that real merchants are needed at the store level to make a success of department store merchandising, and Sears has endeavored to carry out this philosophy by giving store managers a high degree of responsibility.

In extending its chain store system, Sears always has endeavored to cater to the autoist. Service stations are operated in conjunction with stores and parking lots. Emphasis has been placed on automobile accessories with extensive displays of Sears branded tires, batteries, motor oil, anti-freeze and a variety of other products. Huge quantities of these items are purchased from a few major producers in carload lots at advantageous terms. By attracting the autoist, the merchandiser draws the family to shopping centers.

These policies have contributed importantly to steady enlargement of sales and to better-than-average profit margins. Volume rose to an all-time high for November and for the first ten months of the fiscal year. November sales approximated $283 million, or more than a million dollars a day, for an increase of 2 per cent over the same month of 1951. In the first ten months of the year sales rose to $2,472.5 million for an increase of 9 per cent over the corresponding period last year. Volume of business for the full year promises to exceed $3,000 million.

Net profit, after provision for excess profits taxes of perhaps 75 to 80 cents a share, may approach $4.90 to $5 a share, compared with $4.75 a share on $2,657 million sales last year. Earnings have been bolstered in recent years not only by expansion of outlets and increased turnover but by greater emphasis on installment sales. Whereas five or six years ago the need for capital to finance expansion had compelled the company to dispose of its installment paper to banks, now a steadily increasing volume of this business is financed directly by the company. Such a practice is an important contributor to income. Uncommitted installment receivables at present are estimated to approximate $325 million, which would compare with only $117 million at the end of 1950 and approximately only $1 million two years earlier.

Despite retention of earnings for growth, a fairly generous dividend policy has prevailed. Distributions rose to $2.25 a share in 1948 from $1.75 a year earlier and increased again to $2.75 for 1950. This rate has continued through 1951 and 1952. A moderately higher rate would seem a reasonable expectation for 1953—perhaps $3 to $3.25 a share.

The shares have registered a substantial rise since the four-for-one split in 1945, although fluctuations in recent years have been relatively narrow in line with the general investor attitude of caution toward merchandising stocks. Reflecting stronger demand recently, possibly in connection with purchases for the company's profit-sharing and retirement funds, the stock has climbed to a new peak. Company contributions to the pension fund and the retirement program approximated $30 million last year. Purchase increased the holdings of these funds to about 24 per cent of the outstanding 23,646,513 shares of capital stock. Virtual removal of such a large proportion of the floating supply from the market contributes to a stabilizing influence on market fluctuations and tends to sustain prices for the shares. The fact that the pension funds are such important stockholders, moreover, must be an important consideration for directors in establishing dividend policies.

Although the shares have reached a level where they are selling at about twelve times indicated share earnings and the return on a $2.75 dividend of 4.6 per cent is relatively low for this type of stock, nevertheless the stock is well regarded as a portfolio issue and still has appeal for growth.

Gulf, Mobile & Ohio In Expanding Phase

(*Continued from page* 355)

more favorable than those making up any of the first three quarterly periods.

Satisfactory Operating Outlook

The 1953 operating outlook justifies an optimistic attitude as to a continuation of good earnings, and the possibility of a more liberal dividend rate than the current 50 cents a share quarterly distribution. Strength is given to the belief that a higher rate of payment may be decided upon by management because of the road's sound financial condition. Although equipment obligation maturities are currently about $3 million annually and will continue close to this rate for the next three years, the company has no pressing problem in connection with funded debt. Its earliest bond maturity is in 1964. The issue involved is the road's 1st & refunding 4s, amounting to $1.6 million, pledged to secure, in part, $6.4 million of Collateral Trust 3¾s, maturing in 1968.

As of June 30, 1952, the road had on hand more than $21 million in cash, and total current assets of close to $41 million. Net working capital of $16.4 million had increased by almost $4 million from that of a year ago.

In comparison with other rail issues having the advantage of high leverage, which Gulf, Mobile && Ohio common lacks, the shares have been a market laggard. The 1951-52 price range has been from a low of 21¼, recorded in 1951, to a high of 37⅜, reached within the last month. On the basis of recent

market price of 37, the stock is selling to yield 5.4%. On the basis of ratio of earnings to market price, the shares appear to be selling out of line.

Capital Gains Through Convertibles

(Coontinued from page 348)

tabulation, which includes some attractive convertible bonds and preferred stocks. Space does not permit a detailed analysis of the individual securities listed in the table. However, we believe that the reader will be aided by guidance on how to use the tabulation.

The essential point to consider is: First, the number of shares of common stock into which the bond or preferred stock is converted. This is important as otherwise the prospective purchaser of the convertible security would be left in the dark as to the exact provision of the convertible feature. Having established this ratio clearly in his mind, it should then be applied to the current price of the stock. This will enable the investor to determine whether the convertible feature is sufficiently attractive for near-term possibilities or whether the point at which conversion becomes profitable is still sometime off. The reader will find all this information in the table.

To assist our readers more fully, we have indicated in the last column of the table the price at which the common must sell to make the conversion profitable. It will be noted that this varies considerably among the individual issues listed. In a number of cases, the conversion point is still considerably above the present market price which means that the investor will have to wait for an indeterminate period before conversion becomes profitable. In other cases, the issues are selling at or close to conversion which would indicate that conversion would be a practical proposition. The reader should determine for himself whether the longer-range or shorter-range possibilities are suitable for his own requirements.

The most attractive of the convertible bonds at the present time seem to be: Dow Chemical 3s, Warren Petroleum 3½s, Detroit Edison 3s, and Scott Paper 3s. Among the preferred stocks, the more attractive at this point seem to be: Air Reduction 4½%, Carrier Corp., 4%, and Worthington Corp., 4½% issues.

The remainder of the issues listed in the table are also attractive but the spread between the current price of their stocks and the price at which convertibility becomes profitable is still some distance away although longer-range considerations would indicate that in these cases, too, convertibility will become profitable.

Regardless of the spread, the issues have been chosen aside from their convertibility potentials, as safe vehicles for investment since the companies they represent are among the strongest in the respective industries.

It need not be stated that, as a rule, convertibility without investment merit should be considered a distinctly unfavorable factor. Therefore, securities in this category should be ignored.

Significant Developments Around the World

(Continued from page 345)

was the French who took the initiative. At first the project was little more than a gleam in the eye of the enthusiasts for European economic integration. Now, with the Schuman plan having moved off paper into reality, and with a High Authority sitting in Luxembourg as evidence that economic integration can be achieved, the Green Pool is being discussed seriously as a possible second step, to follow the European Coal and Steel Community.

The goal of the integrators is to increase the output and efficiency of Europe's agriculture. This would bolster the food position of the O.E.E.C. countries and would let them save some of the dollars now spent on imports of foodstuffs. Paralleling the Schuman plan, the Green Pool would create a free intra-European market for agricultural goods and would probably have a supra-national character.

Europe's farm production has grown considerably since the war and has already passed the prewar level. But more is still needed; population has grown faster than output, and the amount of food produced per head of the population is actually below what it was before the war. One reason for this lag has been the relative inefficiency of many sectors of European agriculture. Freer trade in farm goods would permit more crop specialization and higher efficiency. If some of the land now under cereal crops, for example, could be diverted into fodder crops and pasture land, Western Europe could produce far more meat and dairy products, which are the protective higher-grade protein foods. On the other hand, a country such as France could greatly expand its wheat output by better farming methods, if export markets existed to make the result clearly worthwhile.

Up to now the ambition of most of the Western European countries has been to be as self-sufficient as possible, with the consumer paying for this dubious goal, as always, through prices far above the world level. But while integration and regional specialization may appear infinitely preferable to the present system, they will not be achieved as easily as all that. The highest tariffs in Europe are exactly those on agricultural goods, and these tariffs are frankly intended to protect farm populations which amount to between 20 and 50 percent of the total population of the Western European countries.

This is where the high prices come in, for what is really being protected is highly inefficient farming methods which could not survive without the insulation afforded by the tariff. The wheat yield per acre in France, for example, is only 47 percent of that in the Netherlands; the amount of milk produced per cow in Italy average some 450 gallons a year, against roughly 900 in Belgium. There are wide differences in wages, in rents, in climate, and in land. It will require a long transition period if the protective barriers are to be removed without having fatal effects on large numbers of farm families whose economic resistance is low.

Agricultural tariffs are such a thorny problem that even the Benelux countries have not yet been able to get rid of them, although they have enjoyed nearly free trade among themselves in other goods since 1950. A pool extending to all of Western Europe will obviously not make matters any simpler. But officials of the Schuman Plan countries are not discouraged, and their recent informal discussions give reason to hope that further progress will be made early next year towards realization of the Green Pool.

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Tapping the world's largest open hearth furnaces to help give America the steel it needs

Huge heart of the steel-making process is the open hearth furnace. Here come together the raw materials of steel, to be fused under volcanic heat into this most vital metal.

To achieve maximum efficiency and economy in production, National Steel operates the world's largest open hearth furnaces. National's smallest furnace is larger than the great majority of furnaces now in use in the steel industry. National's biggest—of which there are twelve turning out more than 500 tons of steel in a single heat—are almost three times as large as the average steel industry furnace.

Illustrated here is the tapping of one of these giant furnaces. After completion of the melting process, the liquid steel is being poured from the furnace into 300-ton ladles from which it will be poured again into the molds that form steel into ingots. As an ingot, steel starts through the long series of rolling and finishing operations which prepare it for the many thousands of applications which make steel man's most useful servant.

The expansion of open hearth facilities is an important part of the program through which National has been contributing to the upbuilding of America's steel production capacity—a program which will give National a total steel-making capacity of 6,000,000 tons per year during 1953.

Here, again, is evidence of leadership in developing the steel resources of the nation—resources of major importance to America's strength and prosperity. This is National Steel . . . entirely independent . . . completely integrated . . . a leading steel producer.

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SERVING AMERICA BY SERVING AMERICAN INDUSTRY

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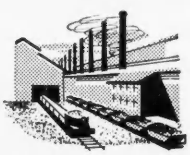
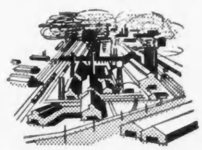
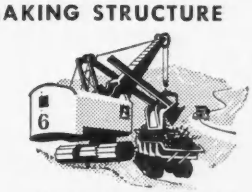


GREAT LAKES STEEL CORP.
Detroit, Mich. A major supplier of standard and special carbon steel products for a wide range of applications in industry.

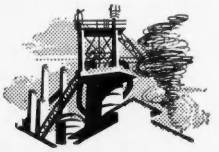


WEIRTON STEEL COMPANY
Weirton, W. Va. World's largest independent manufacturer of tin plate. Producer of many other important steel products.

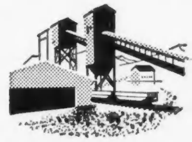
STRAN-STEEL DIVISION
Ecorse, Mich. and Terre Haute, Ind. Exclusive manufacturer of famous Quonset building and Stran-Steel nailable framing.



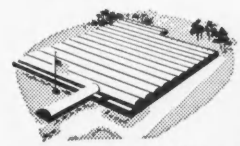
HANNA IRON ORE COMPANY
Cleveland, Ohio. Producer of iron ore from extensive holdings in the Great Lakes area.



THE HANNA FURNACE CORP.
Buffalo, New York. Blast furnace division for production of various types of pig iron.



NATIONAL MINES CORP.
Supplies high grade metallurgical coal for the tremendous needs of National Steel mills.



NATIONAL STEEL PRODUCTS CO.
Houston, Texas. Warehouse and distribution facilities for steel products in the Southwest.

NATIONAL STEEL

The Pipe Line Stocks

(*Continued from page* 346)

Tennessee Gas Transmission pipe line into the New England territory in October of this year. Nevertheless, 1951 natural gas consumption of 7.5 trillion cubic feet was equal to 3.5 times the total production less than 15 years earlier.

Natural gas possesses many qualities with an appeal to residential, commercial and industrial users. In the first place it is cheaper than coal or fuel oil. For example, on the basis of 1951 prices for heating an average home in Columbus, Ohio, the cost, using coal as fuel, would have been approximately $145; using fuel oil would have sent the cost to $200, whereas $90 would have been the cost through the use of natural gas. A similar comparison could be made for a home in any other part of the United States, except the areas like the South, having milder winter climates.

But economy is just one factor favoring natural gas. Its qualities of cleanliness and ease of handling make it especially attractive not only for space heating but for household cooking and water heating. These are qualities that also appeal to commercial users in space heating of office buildings, hotels, stores, theatres, as well as for cooking and refrigeration of foods in restaurants. For such uses in the residential and commercial fields natural gas has no close substitute.

Special Uses of Natural Gas

Natural gas is of equal importance in industrial uses, having special qualifications, such as space heating of buildings, heat treatin gof metals in the metalworking industries and ceramic heat-processing operations, as well as a raw material for the manufacture of chemical products, including the fast upsuring petrochemical industry. The plastic industry, in the production of its products, uses formaldehyde, acetaldehyde, ethylene, methanol, styrene and ethylene oxide, all derived from natural gas and its constituents. Natural gas yields styrene and butadiene that go into the production of synthetic rubber. Intermediate derivatives of natural gas go into the making of nylon, orlon and many other synthetic fibers.

Another important product of natural gas is carbon black, essential to the making of rubber. About 80% of natural gas used for chemical purposes at the present time is for the production of carbon black. This rate of consumption, because of improved processes for carbon black and the trend toward greater use of oil as a raw material, is likely to remain static for the time being and possibly decrease over the next quarter of a century.

On the other hand, the production of ammonia, the second largest user of natural gas is due to increase rapidly, taking a steadily greater amount of natural gas. Current production of about 2 million tons will, it is predicted, expand to 3.2 million tons by 1960, and be more than doubled by 1975, in order to meet greater fertilizer requirements, explosives, and the greater demand created by the increasing production of plastics, synthetic fibers and rubber. This is but part of the value of natural gas in the chemical field.

One thing more. Older type manufactured gas has a heat value usually ranging from 500 to 600 B.t.u. (British thermal unit, a measure of heat quantity equal to 252 calories). Natural gas has a value of about 1,000 B.t.u. a cubic foot. In view of this, can there be any wonder that the demand for natural gas for space heating of homes and commercial buildings, and for industrial uses has mounted as rapidly as the transmission companies could get their pipe lines into territories where gas had theretofore been unavailable. Last year, consumption of natural gas by industry amounted to 3.4 trillion cubic feet. It is estimated that by 1975 industrial consumption will have risen to 8.8 trillion cubic feet, or approximately 1.3 trillion cubic feet more than all the natural gas sold to residential, commercial and industrial users in 1951.

The continuous rise in natural gas consumption as actually recorded in just the last few years, and the further increase looked for in the immediate future, naturally raises the question as to the adequacy of our gas deposits. The two important factors contributing to a continuing and adequate gas supply are exploration and conservation. During the year 1945 to 1951, there were discovered twice as much new gas reserves as the industry produced. At the end of that period, proved recoverable reserves totaled 193.8 trillion cubic feet, an increase of 8.2 trillion feet over the 1950 calculation. While estimates of ultimate reserves vary, several of the foremost geologists identified

with work in the natural gas fields estimate ultimate reserves of 500 trillion cubic feet. Even this figure is believed to be conservative in that only two percent of the million square miles of land area overlying our sedimentary formations has been thoroughly explored by drilling. The potentials of tidelands deposits are believed to be enormous.

On the basis of the industry's growth in the foreseeable future, it is obvious that the trend of earnings should be steadily upward. This trend should be accelerated by operating economies which are being, and may be, effected. Illustrative of this is the movement on the part of many gas utilities in utilizing underground facilities, such as exhausted oil fields and other favorable geological formations into which gas can be pumped during the warm months to meet cold weather peaks. This procedure favors the transmission lines by removing the strain of meeting abnormal cold weather demands, and making for a more even flow of gas through their lines over the entire year.

In the accompanying tabulation, there is set forth the earnings records of a number of companies identified with the natural gas industry, either as retail distributors or pipe line operators and distributors, for 1951 and 1952, estimated. In looking at these figures it should be borne in mind that the records of the latter group were established during a time of from moderate to heavy expansion. Yet, the per share earnings tell their own story. But like almost every other business, the pipe line companies have been the victims of a squeeze on profits by increases in the cost of gas, materials, labor, and higher taxes. For relief from these oppressive conditions they must apply to the Federal Power Commission which has broad jurisdiction over the natural gas pipe line industry.

In the past, practically all of these companies have been able to earn better than the 6% on the rate base considered the standard return by the FPC. Because of increased cost of doing business, however, companies coming under the jurisdiction of the Commission have applied for rate hikes. In some instances, it has granted partial relief, but in doing so, has, it is felt, adopted an arbitrary and to say the least, a niggardly, attitude. The impact of the attitude on the market for natural gas company stocks has been to slow their heretofore comparatively rapid upward price movement. The best opinion is that the principal objectives of the Commission has been to counteract an increasing number of requests for a rate higher than 6%, and that there is nothing in the FPC stand to indicate the complete rejection of the 6% rate of return. Considerable criticism, however, is leveled at the FPC chairman who will be out of office by next January.

Notwithstand these difficulties, natural gas companies shares continue to be worth-while portfolio issues. Among those in the most favorable position in the pipe line group are: Panhandle Eastern, Tennessee Gas Transmission, El Paso Natural Gas, Northern Natural Gas. Among those companies in the second section of the tabulation, the outstanding issues seem to be Columbia Gas System, United Gas, Colorado Interstate Gas, Pacific Lighting and Consolidated Natural Gas.

A Realistic Appraisal of the Business Outlook

(*Continued from page* 334)

while income has risen to all-time heights. This is one factor that makes many bankers, in particular, somewhat skeptical of the soundness of the current industrial boom.

Further rises in consumer credit would be needed to move the expanded output of consumers' durable goods forecast for 1953. Some late-year rise in consumer credit is customary, with a decline thereafter as consumers pay their Christmas bills. The Federal Reserve Board is watching the situation very carefully and, if the usual post-Christmas decline in the total credit volume fails to occur, is expected to favor measures designed to restrict further increases.

Although most authorities maintain that the volume of credit is not overly large relative to income, there are those who dispute this fact. Any contraction in national income would throw the ratio out of balance quickly, while consumers might find it difficult to meet their obligations.

Most consumers know their own limitations. With many of them feeling, as they do, that the trend of prices is downward, hesitancy to increase obligations to be paid off in more valuable dollars is likely to increase.

With anything like favorable growing weather, 1953 crops promise to be large. With no improvement in export demand in sight, continuation of the price declines in farm products is expected. Food prices, raw and processed, also are expected to continue their decline.

Historically, declines in the general commodity price level always have begun with farm products and then have been extended into foods. After some months, declines have extended into other areas. Despite the high levels of government spending, which incidentally have not prevented a slow decline in the general commodity index for almost two years now, business men are not safe in ignoring the fact that the price trend now is downward throughout the world and that some close students of commodity prices are predicting that the price level will continue to work downward for several years more. On the basis of what has happened in previous postwar periods, we may be closer than most business men like to believe to a major downward readjustment in the commodity price structure. Therefore, this is not a time to be increasing inventories or for carrying large inventories. Even a moderate extension of the price decline may result in serious inventory losses sufficient to eliminate the benefits of good business management. What to do about inventories, in the final analysis, may well prove to be one of the major 1953 business problems.

In the meantime, industrial activity continues high. With full employment and a relatively stable price level, at consumers' levels, with manufactured and semi-manufactured inventories in a state of seeming balance, at least for the present, indications are that the current forward move in business will continue through the first and, very likely, the second quarters of the year. If the new Administration's moves are well-planned, this could run over into the second half but, possibly, at a less active rate.

A Reliable Plan for Dollar Averaging

(*Continued from page* 338)

was 60. In the year following, the average was back to 40.

By the time 1952 had passed however, his yearly averages were even higher with the rise in the market and he is probably still continuing to buy the stock at 70.

It is obvious, under this broad plan, that intermediate movements in the price of the shares are comparatively unimportant and, hence, the precise price paid for a stock at a given time, is secondary. This should be clearly understood by investors who intend to embark on this type of program; the important thing to consider is the *average* price, not the individual price.

In order that the plan proceed systematically, it is necessary to decide, in advance, the amount of money to be employed annually. This is important as otherwise, the advantage of "dollar averaging" may be lost. In other words, the investor must add *regularly and uniformly* to his holdings instead of sporadically. He should not yield to the natural impulse of trying to invest larger sums when he thinks the market is low and smaller sums when he thinks the market is high. By doing so, he is likely to defeat the object of "dollar averaging" which is to secure as close to an average price as possible and not to try to "beat the market."

He should, rather, rely on the long-term trend of the market which will itself tend to iron out any differences in the over-all

(*Please turn to page* 372)

A Reliable Plan for Dollar Averaging

(*Continued from page* 370)

price of his shares. To repeat, he should rely rather, on the normal ebb and flow of the market than on his individual judgment as to timing of purchases. His job is specifically to invest the same sums, year after year, whether the market for the shares is high or low.

This brings us back to the original premise—that the first and foremost task is to make the first selection on absolutely sound lines, in line with the real purpose of the plan. How can this be done? This indeed is a difficult task as it presupposes ability to select a stock that will prove a successful investment over a long period of years. Who among us is so brash however, as to say with all certainty that any given stock will turn out as well in a decade's time as originally hoped for. Yet, by concentrating only on those companies with a long and successful record and which, by nature of their dynamics, are continuing to grow, it is possible to narrow the area of choice and to limit the margin on error. The choice will be limited, after serious analysis, to companies likely to prove the most successful over a long period. This would automatically eliminate all the marginal and cyclical companies, and those which have had a mediocre record.

In summarizing the essential features of "dollar averaging," the following are the most important:

1. The program is suitable only for extremely long-range investment in common stocks.

2. The stocks must be of "growth" quality and represent companies in a strong position.

3. Investments in these stocks should be made on an annual basis (preferably semi-annual) with the same amount of cash regularly invested without attempting to seek out the lowest possible price.

4. The stocks must be retained throughout and no attempt should be made to realize profits until the investor feels that his program has been fully completed.

5. The amounts planned in advance as the basis of the investment should be realistic and within the means of the investor. He should not over-reach himself in the desire to acquire as much stock as possible. The market will do this for him automatically with the rise and fall of the shares.

6. Where the means permit, it would be advisable to diversify into several issues rather than concentrate only on one.

The accompanying table tells the story of how "dollar averaging" would have worked in ten important stocks during the past decade. Aside from the fact that with only one exception—Westinghouse—the increase in value in each stock was substantial, ranging from 50 to 100%, it is important to observe that the process of accumulation was systematic, that while the number of shares acquired each year varied in accordance with the then available prices, the steady addition of shares during the period of the company's growth resulted in a sizeable investment at the end of the decade. The satisfaction accruing from this result is magnified by the steady increment in cash income from dividends.

The sum of $2,000 as the amount of annual investment in each stock was determined on a purely arbitrary basis for the purpose of illustration, but the investor can adjust this figure to suit his own financial resources. In any case, the principle of "dollar averaging" remains the same regardless of the amount invested annually.

The adjoining table giving a list of growth stocks for "dollar averaging" is offered as suggestions for the type of stocks suitable for this purpose. Readers of The Magazine of Wall Street understand, of course, that by "growth" stocks is meant issues representing companies whose fundamental strength and dynamics has produced a rising trend of earnings and dividends over a period of years at a recognizably steeper pitch than the average company, and whose growth is also paralleled by a rising curve in the long-range trend of the shares.

As I See It!

(*Continued from page* 329)

of weakening the West, will find a way of stirring up the African people.

It would be a mistake grave beyond all imaginings to let the people in the still existing colonial areas believe that the United Nations or the United States is against their winning independence, and that their hope for freedom can be found only in the Kremlin. On the other hand, while engaged in a struggle with international communism for survival, the free world cannot weaken itself by permitting further political and economic fragmentation of those areas that form economic units with mother countries, and thus disturb the stability of the key of NATO. A case in point is French North Africa in its relation to metropolitan France. Economic and political sovereignty for Tunisia and Morocco *now* would mean a setback in the very promising economic development of the two countries. Moreover, the very important military installations that the free world maintains in North Africa, and which might mean victory or defeat in the struggle with Russia, would also be endangered.

The willingness of the United Nations General Assembly to treat the Tunisian and Moroccan demand for home-rule as a domestic affair of the French Union of Nations is a commendable decision. However, the next move, winning the cooperation of Tunisia and Morocco, by launching them *gradually* on the road to independence, is up to France. Both countries concede that they have much to gain by close economic cooperation with France; Morocco especially has blossomed into a California-like country under French rule. And Tunisia is given an alarming example of what might happen to her, by neighboring Libya, which, deprived of the Italian market and capital, has economically withered, and is depending almost entirely on British and American handouts.

However, both Tunisians and Moroccans are disturbed over the first French "reforms" that are to bring home-rule. In preparation for partial independence, the French minority, no larger than 200,000 in Tunisia and 50,000 in Morocco, is being given, by means of weighted voting rights, influence equal to that of some 10 million natives of whom only 2 million are literate and therefore eligible to vote. This is not a promising beginning and, right and wrong, the leaders of the Arabs and the Berbers point out that illiteracy and backwardness are indictment of past French rule.

"The enthusiastic response of our employees . . ."

ALDEN G. ROACH

President, Columbia-Geneva Steel Division and Consolidated Western Steel Division, United States Steel Corporation

"It is most gratifying to me that the employees of the Columbia-Geneva Steel Division and the Consolidated Western Steel Division of United States Steel Corporation have accorded meaning to their belief that the security of our nation rests upon our cooperative effort. The enthusiastic response of our employees made me doubly glad we conducted a person-to-person canvass for the Payroll Savings Plan for U. S. Defense Bonds."

The experience of Columbia-Geneva and Consolidated Western Divisions of United States Steel Corporation is not an isolated one.

Since January 1, 1951, hundreds and hundreds of companies have conducted person-to-person canvasses of their plants and offices. In every instance, employee participation in the Payroll Savings Plan has increased—sometimes from a low figure—to 60, 70, 80%. In a number of plants, participation passed the 90% mark.

The explanation is simple.

Employees *want* to provide for their future security.

Given an opportunity to enroll in the Payroll Savings Plan they respond immediately—as evidenced by the fact that more than 2,000,000 men and women have joined the Payroll Savings Plan since January 1, 1951.

The monthly take-home savings of the 7,500,000 now in the Payroll Savings Plan totals $150,000,000 per month—and growing rapidly.

As a step toward *your* personal security, and the security of your associates, bring this page to the attention of your top executive. Tell him that—

- a person-to-person canvass of your plant can be conducted without pressure, prize awards or other stimulation. (In many plants, employee organizations have undertaken the actual distribution of Payroll Savings Application Blanks.)
- The Savings Bond Division, U. S. Treasury Department, Suite 700, Washington Building, Washington, D. C., will gladly help your company with suggestions, posters, envelope stuffers and other aids.

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